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Author:

Terry, Samuel Hough

Title:

How to keep a store

Place:

New York

Date:

1882

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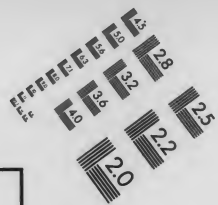
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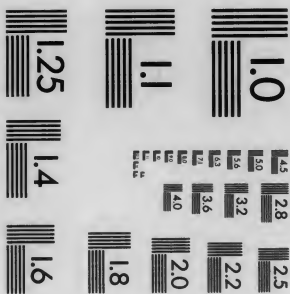


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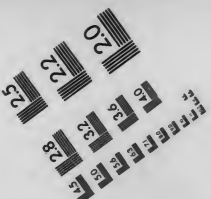
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BUSINESS LIBRARY

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HOW TO KEEP A STORE.

EMBODVING

THE CONCLUSIONS OF THIRTY YEARS' EXPERIENCE
IN MERCHANDIZING.

BY

SAMUEL H. TERRY.

NEW YORK:
FOWLER & WELLS,
753 BROADWAY
1882.

Business

CLIFFORD GRAY COLLECTION

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THE RETAILER'S MANUAL.

CHAPTER I.

INTRODUCTORY.

THIS book is designed mainly as a text-book on the art of buying and selling goods at retail, and naturally, in writing it, the writer has kept in view the deficiencies of the young and inexperienced. Those who are experienced in the trade may think the book unnecessary; that it only tells them that two and two are four, or such simple truths, which they learned early in life. It really professes to do no more than gather together the experiences of the author and of some of his circle of acquaintances, and condense them in a form convenient to guide and instruct those who are starting out in life. And if the experienced men, who find nothing new in it, find that it truthfully sets forth the way in which they would go, if with the light of their experience they had the path to travel over again, they find in it all that the author expects them to.

Experience is a good teacher; but his school is a very expensive one, and many of his lessons may be economically and advantageously studied in a book of this kind, and gotten by heart before we go into his school.

The most simple truths, too, sometimes fail of their

proper influence at first, because we do not see how they apply to any contemplated action until we are taught by experience; and it is a further aim of this book to make the influence of these simple truths on the ordinary operations of business more apparent, through the various illustrations and exemplifications used, so that the youthful student may have some knowledge of, or at least some preparation for, the lessons he may have to learn before he enters the school of experience.

In looking over the catalogues of our libraries, we find text books, and manuals, and guides, on nearly every science and occupation in which man engages, except this one; and when we reflect upon it, it must really be regarded as a strange omission that such a book has not long since been written.

Considerable libraries on each of the subjects might be collected of divinity, law, medicine, surgery, chemistry, banking, navigation, architecture, engineering, military art, metallurgy, mining, agriculture, cookery, manufactures, and mechanic arts, by the aid of which the inexperienced clergymen, advocate, physician, surgeon, chemist, banker, sailor, builder, engineer, soldier, foundryman, miner, farmer, cook, manufacturer, or mechanic may qualify himself, and through the help thus derived from the experiences of others, can more surely and readily obtain success in his occupation. Indeed to such specialities do these investigations extend in some of the sciences and arts, that works are written on even one little branch of the subject, and we have treatises on the eyes, the skin, the use of one single remedy in curing disease; books on the art of gauging, of book-binding, of quarrying stone, of weaving, of painting and gilding, of dyeing, of soap making, of brewing, and even on the use of one particular style of arch in building, with a hundred other matters

of such limited use that probably not one in a hundred thousand of the people have any interest in them. But in all our libraries, whether public or private, we look in vain for any hand book or text book wherein one may learn something about the occupation of a retail dealer, though probably one-tenth of the community are more or less engaged in that business.

True, there are several good works on the general subject of business, whose existence should not be ignored, but they treat of business in general terms, and do not go sufficiently into the details of the subject, to be valuable to the novice. They present the theory or principles of business rather than the practical details; and are necessarily more useful to the experienced man, who desires to test and arrange his experiences, so as to learn the most he can from them, than they are to those who are entirely without experience.

Some of this reticence among those who are capable may be the effect of a sort of free-masonry, which regards such information as the secrets of trade, not to be divulged to the world generally, lest too many be allured into the occupation. Others perhaps have remained silent because, having had no aid of the kind themselves, they believed that those that came after them, might be best left to win success, through the same hard knocks and rough experiences that they had encountered. Whatever may have been the motive, the silence seems to have been hitherto universal, inasmuch as the author has not, even after some investigation, been able to learn of any book hitherto published in this country, which even proposed to fill the blank that this is designed to occupy.

The work has been long contemplated, and is not offered to the public as the hasty observations and conclusions of the author, or as the occupation of an otherwise

idle period, but as the result of frequent reflection upon the various subjects it embraces, during several years of a business experience. The frequent applications made to him by persons in business for advice and counsel, and his own experience early in life, with an inexperienced business man, led him many years ago to notice the ignorance of many persons in the retail trade, about the very rudiments of their business, and to see the necessity there was for some such text book, where the unlearned might get the information they needed, on the practical routine and details of their business.

That such ignorance should exist in this occupation need not seem strange. Probably fully one-half of those now engaged in its various branches had no practical knowledge of business in the outset. And one-half of the balance learned all that they knew on commencing as a clerk in the store of some merchant, who had not himself any business training. The "universal Yankee," (in the English sense of the appellation) while he may confess his ignorance of some things, always has a strong and abiding confidence in his natural ability to trade and barter, "to buy and sell and get gain," in the retail, or wholesale, or any other trade. He thinks he needs no education for that work; it is just as natural to him as it is to eat or drink; and he is ready at once to undertake the management of the largest retail house in town, only needing to be shown a day or two, "till he learns the ropes."

The prosperous mechanic, so soon as he has made a few hundred dollars, leaves his bench; the dissatisfied farmer's son, with his inheritance in hand, drops the plough; the venturesome sailor, tired of the storm and calm, sells his bark and quits the wheel; sometimes, too, with them the learned professor, the sage physician, the over-tasked

clergyman throw down the insignia of their profession, and without a month's preparation, venture their means in some business enterprise, requiring an intimate acquaintance with details, which long experience or study alone can give, before success can be considered even probable.

It is said that not more than four out of every hundred engaged in business are eventually successful. This is doubtless much under the mark, unless the idea of success is very great wealth—say \$100,000 or over. The author's own experience leads him to believe that about fifteen per cent of those who retail goods succeed in making sufficient to enable them to quit business by the time they are fifty years of age; that twenty-five per cent more continue on successfully, making a living and always paying their debts to the ends of their lives; and that the remaining sixty per cent either entirely fail, and go out of business, or make some compromise with their creditors and continue on with varying success afterwards. But even this proportion of failures is enormous when compared with the results in other pursuits. And yet, have we any reason to wonder at it, when men engage in the business so ill-prepared for its risks and disasters? Hardly any sane man would undertake the practice of law or medicine without months, at least, of previous study, or engage in the manufacture of any article without a long experience in its details. The art of buying and selling goods at retail, requires quite as much study as either of them.

The most of such inexperienced people enjoy a very encouraging hope, which leads them to believe that they will soon learn all that is necessary. They do indeed learn, but it is years often, before they possess the knowledge that they ought to have had when they commenced. This want of knowledge makes even limited success barely

possible for the first two or three years of business, and these first years very often give the character to the whole business career.

While, as before remarked, this work is written mainly for the inexperienced, it is believed that it can be read with profit by many of those who have spent their lives in business. The author puts forth no claim to superior knowledge over others of like experience, but it need not be considered an assumption to say, that in business affairs, as indeed in most other matters, each man's experience differs in some points from others, and therefore, the wisest can still learn something from the career and history of other men's experiences. And even if this information only brightens and revivifies old and inactive ideas and energies, it is useful.

So long as we see the many instances which occur of men long experienced in business, failing we may properly conclude, that all is not yet known that can be known by even the experienced, and that it is quite probable that many, who by reason of the length of time they have been in business, the world regards as wise and skillful in managing their affairs, have yet much to learn.

It is indeed believed that this book will repay perusal by those who never expect to engage directly in the retail business. To some extent, men of all pursuits are interested in many of the questions herein considered. The farmer and mechanic have both to buy and sell, and much of their prosperity depends on their doing these properly. The professional man has at least to give credit and make collections, and very many of them may learn something about these subjects herein.

In short, therefore, the book, though primarily for the inexperienced, is regarded by the author as worthy of a perusal, and often a careful study, by all persons engaged

in any vocation wherein they have to deal with their fellow men.

The critical reader may complain because so many technical words and phrases are used, not always in the sense current in other countries, but often as Americanisms. In this country the word "store" is so generally used to designate a place where goods are kept for sale, and the word "shop," used in England in its place, so generally here confined in its use to a place where some mechanical work is carried on, that the use of the latter word in its English sense, would tend to confusion and obscurity in writing. It may be wished that all the other technicalities used herein were as correct in principle as the word *store* in the American use of it, but the writer did not set out to correct modes of speech, and preferred to use the current and accepted expressions in the trade, rather than go into any argument to show their impropriety, even when he may have thought them improper.

CHAPTER II.

ON THE SELECTION OF A BUSINESS.

CHOOSE a Business—

- 1st, That you are acquainted with the details of;
- 2nd, For which you have sufficient capital;
- 3rd, For which you have a taste or liking;
- 4th, Which gives promise of making something more than simply a living.

It is a prevalent idea among men that are not very prosperous in their occupation, that any other business is better than the one in which they are engaged. Those who are ever ready to act on this idea and make frequent changes, generally remain poor through life.

This of itself should show us that such an opinion is not the result of close observation of the profits of different kinds of business, but rather a conclusion or supposition, made without reflection.

"I make only a very stinted living at my business, and there is Jones, and Smith and Brown, and nearly every one I see around me thriving, and it is because my business is a poor one," is, if not the language, the thought of many a discouraged tradesman. Could the poor man know the trials and vexations of those around him, he would cease to envy them, and be satisfied to plod on industriously in his own occupation. Were the thoughts of these neighbors revealed to him, he would find that they often envy him his apparent prosperity. "All is not gold that glitters," is an old proverb that such people might remember to their great comfort, whenever they see some

How Wealth is Accumulated.

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neighbor giving outward evidence of a prosperous business, grown up almost like Jonah's gourd in a single night.

Wealth is rarely accumulated in any other way than by persistent and continuous efforts in one direction; and then it may seem long to the anxious expectant before the reward comes. Spasmodic and speculative efforts to expedite it often do more to retard than to hasten it, by diverting the attention from the sober and practical routine of details essential to success, and causing them to seem dull and plodding.

Fortunately, in this country, while there are great differences in respect to the profitableness of the various kinds of business, there are very few of them by which an industrious and prudent man can not make money, not only sufficient to support a family, but something beyond as an accumulation for his old age.

But no prudent man would embark in a business, expecting success, if unfamiliar with the details, or with insufficient capital. And though he may have sufficient knowledge and capital, if the business is one that is distasteful to him in many of its details, or if with all his skill and capital he can only succeed in making a living, he will soon become lukewarm and irresolute in conducting it, and thus make it less profitable. It is therefore also indispensable to success, that a man should like his business, and think it the one best suited to his peculiar gifts and qualifications.

The acquaintance required for a business, should not be merely a superficial knowledge of the articles dealt in, but should descend to minute details of the various qualities and the advantages and disadvantages resulting practically in the use of different qualities, the causes of increase and decrease of supply, the periods of greater and less demand; and also the fashion or prevailing taste

which in many things governs or influences the public in the purchase of many articles.

Thus, if a man proposes to deal in lumber, he should not only know, and be able to distinguish, the various kinds, as pine, spruce, hemlock, etc., but he should also know what qualities are recognized in the trade as "clear stuff," "first," "second," or "third qualities," "box boards," "cullings", and so forth, so as to be able himself, if necessary, to assort a mixed pile of lumber; and should know these qualities, not only as they are recognized in the locality in which he proposes to trade, but also as they may be differently graded in rival markets. He ought to know what deduction is proper to be made for any defect in a piece of lumber or board, by knowing for what purpose it could most advantageously be used, and with least loss. He should know where the different kinds of lumber are obtained, the superiority of that from some localities over that which is brought from other places, the various methods by which it is brought to market; something of the geography of the country, so that as new avenues are open to transport it, he may be among the first to avail himself of the advantages, and not, as is sometimes the case, learn this from some rival dealer, who has enjoyed a monopoly of the advantage of the new route for a year or two, before it generally became known. In addition, he needs to know the sizes and qualities of lumber that are more especially used by those who will be customers—what will be wanted by builders, what by box makers, what by cabinet makers, what by ship-builders, etc.

All this information he could scarcely expect to acquire short of three months service in the practical details of a lumber yard, specially devoted to learning, with a view of going into the business.

It will be that much time well expended, by any young man ignorant of a business he proposes to embark in, to go to some long established dealer, residing far enough away from the locality of the contemplated business to avoid uneasy jealousy, if necessary, and make arrangements with him to be instructed in the details of the business, even by a payment of money to him if required.

The better a man is acquainted with the details of the business in which he is engaged, the greater is his chance of success. In truth, the man that is ignorant of these, has no right to expect success. Ignorance may take the risk and occasionally win, but it is not once in ten times.

The oft-quoted, yet questionable story of Stephen Girard's* shipment of a large lot of warming pans to the West Indies, in ignorance that it was a warm climate, on which he was not only saved a loss, by the fortunate conversion of the articles into sugar-dippers, but by which he made a great profit; and other similar stories of great returns resulting from ignorant and ill-conceived ventures, are too often used as arguments to induce credulous men to invest their money in some thing which they know nothing about, in the vain expectation that they will draw a prize.

The lesson to be drawn from them is, not that ignorance and rashness has at any time a chance of success, or is preferable to prudence, but rather an encouragement not to despond, even when matters look discouraging, and to try to find a way out of the difficulty by unusual efforts and ingenuity. In another man's hands, less enterprising and managing than Stephen Girard, the warming pans would have remained simply warming pans, to the end of time.

* Related also of others.

Absolute losses in business are generally the result of ignorance. Every reader of this, who has been in business will concur with the assertion that fully nine-tenths of the losses he met with therein, arose from his ignorance of something which he could previously have known. As an illustration of this, an acquaintance of the author, an importer of European goods, had one season several inquiries for a peculiar kind of satin vesting, such as he had never imported, but the value of which, and the place of manufacture on the continent, he was well acquainted with. Ascertaining from the applicants that the article was scarce in the market, and much increased in price, he thought it a favorable opportunity to make a profitable venture by ordering some. There seemed not much risk in it, as the article was of a staple character, and he ordered a few cases to be sent out as soon as they could be manufactured. The goods speedily arrived, but too late for that season's sale, and as they were not suited to the sales of the succeeding spring season they were held over till the summer. When shown to clothiers, and offered for sale, he was surprised to learn that they had not made up any such goods for vests in years, and would not purchase them at any price. So hunting up the same parties who had the year before wanted them, he tried to sell them to these; but now found for the first time that the goods had been wanted the year before for making gentlemen's cravats of a fanciful style, and further learned that the fashion having changed, they were now using quite a different material, and would not buy the old style of goods at any price. Not having the sagacity to discern, or invent any new use for the goods, as Mr. Girard did, he was forced to sacrifice them in the auction room at a heavy loss.

Ordinary prudence, and especially the experience of a

few such losses, naturally leads a dealer to thoroughly inquire into all the minutiae of every such proposed transaction. But if the want of information about the special goods proposed to be dealt in be general, the cases of loss will be too numerous, and the aggregate of loss too great to endure while the dealer is being educated. In such cases a deficiency of information may be partially supplied, when the dealer has all the other requisites, by employing a clerk who is known to be experienced in the details of the business he would undertake. But this should never be considered sufficient to compensate for entire lack of knowledge on the part of the employer. It would answer reasonably well in such cases, as where a man accustomed to buying and selling dry goods, desires to embark in the grocery or hardware trade. Even then the dealer should avail himself of his opportunity to learn the business as soon as possible.

If there should be a total deficiency of experience in buying and selling, in a person having sufficient capital, he might select to advantage a partner having the required knowledge without capital, and each of the two would thus supplement the other's deficiency to their mutual advantage.

When neither of these substitutes can be obtained, the only prudent plan is for the person to spend sufficient time as a clerk, with some one in a similar business, to learn the details before embarking in it himself.

While actual and specific losses in business are mainly the result of ignorance, it sometimes happens that the most carefully managed business will fail of profitable result from want of sufficient capital. Hence the amount of means which any person has to put in must be kept in view in the selection of the business. And this

has reference not only to the kind, but to the extent of it; as an amount of capital sufficient to conduct any particular business in one locality, might be inadequate to profitably carry it on in another.

Precisely what amount of capital is needed for every particular business, it would be preposterous for the author to attempt to say, but a few general rules may be given, which will enable any one to estimate with reasonable accuracy the amount needed in any particular instance.

Every business requires a certain amount of stock to be kept on hand. This must either be paid for in cash—requiring that amount of capital—or must be bought on credit, and for which the dealer will be indebted. Commonly it is partly paid for in cash, and partly owed for. But as the fact of owing for it implies the necessity of obtaining credit for the amount—and as a man's credit will depend very much upon his capital—it follows that the amount of his cash must be considered, even when he buys partly or wholly on credit. Those who trust him will at least consider it, if the dealer does not, and will require that it shall be, in their opinion, adequate to the business.

If the business is to be one where the sales will all be for cash down, the problem is a very simple one. The dealer has only to keep a certain amount of goods on hand. If he can get favorable credit for whatever he may lack of sufficient capital to buy all for cash, he can purchase the necessary quantity. And if he sells off his goods quick enough to meet the payments, he will have no difficulty. But the question will be, can he sell his stock so quickly? The answer will depend on the length of credit he gets, and partly on his own management of the business in making sales.

Let us suppose a case where a man purchases a stock

of goods amounting to \$10,000, one-half paid for by his capital and the other half on credit, at—say three months time. Now if his sales are at the rate of \$20,000 a year, at the end of three months he will have sold only \$5,000, and making due allowance for his expenses and incidental payments out of the amount, he will be short of money to meet his bills. If, however, he had made the purchase on credit payable \$1,000 each month, for five successive months, which would be the same average credit, it is plain that he would have an abundance of money to meet his payments from the same amount of sales. Or in the event that he sells \$30,000 worth a year, he would sell \$7,500 worth in the first three months, and could meet his payments then without difficulty.

When any part of the sales are made on credit, they must be omitted in calculating the amount of capital, while they are outstanding. Suppose, in the case mentioned, one-half of the sales of \$20,000 a year are made on four months credit. This would leave an amount of \$3,333 dollars always outstanding after the first four months of the business, and would require that addition to the capital, or additional credit to be obtained, and at the same length of time, i. e. four months.

The reader will find in the appendix a number of problems which he can work out if so disposed, and make himself fully familiar with this subject.

It must in practice not be forgotten, that a large margin has to be allowed in calculations on the payment for goods sold on credit, in the retail trade. A prudent man would not want to rely on more than three-fourths of the amount trusted out being paid promptly, or to the specified day, and at some periods of the year, and in some localities, perhaps not so much. The reader will observe, therefore, that a cash business requires much

less capital than a credit one, and though the profits may be smaller, such a business is less liable to loss in times of pecuniary disaster, and requires less ability to conduct it profitably.

From what has been written above, it will be seen that a dealer requires as much *cash* and *credit* combined as will equal the amount of his *stock of goods*, and his *outstanding accounts* at the period when the two taken together are at the highest.

The instruction may be placed in a clear form before the reader as follows:

CAPITAL IN { CASH AND CREDIT } MUST EQUAL { STOCK OF GOODS AND OUTSTANDING ACCOUNTS. }

The query will naturally be made as to what the relative proportions of cash and credit shall be. Necessarily these proportions are variable, depending on the ability of the dealer to get credit, and then upon the length of it. If, for instance, the \$10,000 worth of stock in the case referred to, could not be obtained in part on credit, it would require \$10,000 cash capital to pay for it. But one person might have facilities for borrowing a part of this amount, which would really be another form of credit, and so could get along with less than the \$10,000 cash.

If the credit obtained by the dealer is long enough to enable him to sell the goods and get the money for them in hand, before the credit expires, it is plain that all the cash capital a dealer will require is simply enough to establish a credit with the wholesale dealer.

What amount of cash capital will be required to establish such a credit, will depend on the retailer's personal advantages.

A, though he has not a dollar, may be trusted to \$10,000 worth of goods, through favor or friendship, or from

confidence in his personal ability. B, with a grade less of personal advantage, may find that it requires \$2,000 in cash at the risk of the business, before he can find wholesale dealers willing to trust him with the additional \$8,000 worth. C, still less favored, must have \$5,000 cash before he can obtain credit for the other \$5,000. While D, with \$8,000 cash, and a bad reputation for ability, or honesty, or even with a negative reputation, being wholly unknown, finds it difficult to obtain the additional \$2,000 worth which he requires.

On the whole, it may be said, that ordinarily a retailer starting a business under favorable prospects as to success, and with a good reputation for honesty and ability, would be able to purchase on credit an amount equal to his cash capital. So that if he has \$5,000 in cash to purchase with, he could expect to obtain readily the additional \$5,000 worth of goods, on the credit which would be ordinarily given in the trade. Such a proportion is generally regarded as a very safe and prudent one.

One-quarter of the amount cash, and three-quarters of credit, is the least proportion of cash with which any one should undertake a business unaided by special friends able and willing to help him in any emergency. Sometimes a man may have such special friends in the wholesale trade, who are willing to sell him goods and take payment as he sells them, it being understood that after a certain time the account, if not paid, shall run at interest.

The cases frequently quoted of men who have made fortunes though starting without capital, or with but a nominal one, are generally of this class. In fact, however, the friend who furnishes the goods, in this liberal manner furnishes the capital; only that instead of it being in money, it is in goods. Unless under such circumstances as where the crediting party has a specially friendly inter-

est, through family ties, in the prosperity of the retailer, a credit of this character is too uncertain to be depended on, as are also favors obtained by bank accommodations. Friendly creditors of the ordinary character are too often so, only for their personal advantage; willing to be very amiable and gracious when the sun of prosperity shines bright, but exceedingly anxious to secure themselves, regardless of cost and sacrifice to the debtor, if things look "squally." In the same category are bankers and bank directors, and when the dealer learns that generally both are friends for their own interest, he will neither rely so confidently on their help, nor complain so bitterly when they decline longer to aid him.

No man in his senses would think of embarking in a business which would require \$10,000 capital, if he had to depend on the uncertain borrowing of half of it "on call" or at 30 or 60 days, even with chances of renewals, but at the same time with chances that in any panic or season of distrust the favor of renewal would be withheld, and he be compelled to sacrifice on his stock, and lose on his capital by the breaking up of his business, to make good the loan. A dependence on the favor of ordinary creditors, or on bank accommodations, for means permanently required in business, is just as foolish. Not one time in ten can it fail of ruin to those that try it.

Prior to the outbreak of the rebellion, the retail dealer in fair credit, could buy the greater portion of his stock of goods, on from four to eight months credit. Since then, credits have been very generally limited to ten days, thirty days, and two and four months. It is hardly necessary to say that the first two are not commonly considered as credit, being merely a few days grace on cash purchases, to enable the purchaser to get his goods home and examine them. But when the dealer lives in close prox-

imity to the market where he buys his goods, thirty, and even ten days may be quite advantageous to him as a credit. And it not unfrequently occurs that goods so bought are sold, and the purchaser has the money from them in hand, before the period of payment comes round. Such brief credit transactions, therefore, are well worthy of being taken into consideration in the calculation of the relative amount of capital which any particular business will require.

A future chapter in this book will be devoted to the subject of obtaining credit, which may, perhaps, be read to advantage by those who are desirous of estimating their chances of obtaining a specific amount of credit when about embarking in business.

The next point which demands our attention is the love for the business. This, though not so essential as the preceding, is worthy of consideration. It is not so essential because, ordinarily, we are soon led to like what we are making money at, even though it be slightly distasteful at first. But as we cannot surely know that any business will result profitably before we make a practical trial, it is not wise to avoid all consideration of this point. When a duty is unpleasant, we go to it reluctantly, and rarely succeed in our labor so well as when we work with pleasure. We all have our tastes, and it is wiser to work with the current of them than against it. Even our prejudices should not be lost sight of in the consideration of the advantages and disadvantages of any projected business undertaking. One man almost feels his soul contaminated if his hands are soiled. Let him be careful about embarking in a business that will require him frequently to soil them. Another is sickened by certain odors; let him trade in something else. Another could not bear the

"small talk" of half an hour across the counter, over a few cents worth of tape or needles; let him seek a more manly occupation. In short, select a business that you have a liking for; one that is agreeable to your taste, both in the articles dealt in and in the customers, and thus find pleasure in your occupation, and enjoy your life like a rational creature as you go through it.

Failure to attend to this point is, however, much less frequent than is failure on the other points. As regards the great majority of occupations which are considered as honest, a person can take pleasure in almost any one of them if he only decides that he will do so, and other things being satisfactory, a man, and especially a young man, is not justified in declining to embark in, or undertake to learn, a business which his older and more experienced friends deem suitable, on any frivolous idea that it is incompatible with his notions of gentility or manliness. I make only one exception to this: if the young man thinks the business injurious to the community, or aiding dishonesty—as dealing in ardent spirits, lotteries, tobacco, gaming implements, etc., his conscientious scruples should not be overruled. "What shall it profit a man if he gain the whole world and lose his own soul."

It is not the business that elevates the man. A noble, high minded, honorable man can elevate the business, however humble it may be. Indeed, we see this every few years. Some occupation generally conducted by low, worthless fellows, which we are wont to associate with such characters and consider contemptible, is taken in hand by a man of character, who infuses energy, ability, capital, honesty and good sense into his management, and in a few years the whole reputation of the calling is changed, and it is recognized as worthy of the aspirations of the refined and intelligent.

Nor should a man rashly embark in a business simply because he fancies it an agreeable one. We are more apt to see the pleasant side of a business when we look at it simply from the outside. The disagreeable work has to be done in the back room. It was the poet Burns, I think, who tells us that in early life he had a confirmed intention of becoming a tailor. The sheltered in-door occupation of the men of that craft, as he saw it, by comparison with his own out-door exposure, seemed the very acme of a happy life. No doubt many young men select their life's occupation from as narrow a view of it as Burns took.

As before remarked, much of the pleasure derived from any business is found in the profitableness of it, and therefore when the best loved business ceases to be profitable, with most men it ceases to be pleasant. Should any of my readers find themselves in this position, becoming weaned from their former attachment to their business, and on the look out for something more agreeable, it may well be worth their inquiry as to whether the waning love is not the consequence of the loss of its former profitable character, and if found to be so, to make extraordinary efforts to restore the business to its former prosperity and thereby regain the love they once had for it, rather than rashly quit it for new undertakings of which they may lack the knowledge to conduct profitably.

A few words of advice may be given to a class of men, some of whom I occasionally meet, who remain in a business simply because it is pleasant, and they like it; though from causes entirely beyond their control, it has ceased to be profitable, and they can have no prospect of ever again making it so. They are generally men somewhat advanced in life who thus cling to their first love, but the younger are also sometimes too slow to make a change in

such cases. When a man is well in years, he is not expected to feel very ambitious, and if one thus situated is satisfied that his diminishing business will sustain him to the end of his days, it may be wise to let well enough alone. But a younger man—any one under forty-five years of age—with good health, ought not to delay placing himself in a position where he may be able to do so much better as to be relieved from pecuniary solicitude for his future years.

And lastly, a business ought to be selected, in which there is a prospect of making more than a mere living. Let the dealer's aim be to accumulate something for that period of life when age may unfit him for procuring a livelihood. It is pleasant to feel as we advance in life, that we are year by year laying up something for the time of old age, not only for our own subsistence, but that we need not stint our contributions to the various religious and philanthropic movements which have had our aid and influence in the more active period of our lives.

To positively foretell the profitable results of any contemplated business is of course impossible. So many circumstances beyond the control of the dealer, circumstances of early or late seasons, of storm or tempest, of heat and cold, of disease and death, influence favorably or unfavorably the result that any precision is impossible. But though we may not be able to calculate with certainty, we may approximate to the true result. We can calculate sufficiently near to say, that if everything occurs as usual, such or so will be the profit. Even if an occasional year may fail to yield the result anticipated, still, if we have prudently and carefully made up our estimate, always keeping on the safe side, allowing a sufficient margin for probable contingencies, an average can be struck near

enough for the purpose in view, and which would be sufficiently safe data to warrant embarking in a business, if other things were fitting, of which satisfactory results could be thus predicted.

Somewhat can always be premised of the profitableness of a business, by the success or experience of others in a similar business, and probably the most of those who now commence a new undertaking, found their expectations upon the successful career of some acquaintance. This is a very simple method. If A commenced a certain business ten years ago worth 5,000 dollars and is now worth 50,000 dollars more, made in his business, it follows that in the period of ten years the average net profits of his business have been yearly 5,000 dollars. The danger of this method arises mainly from the tendency in such cases to look only at the instances of success. When the results of the business of a sufficient number of dealers, taking the unfortunate with the fortunate, can be averaged, the conclusions reached are more reliable. It will then often be found, that while A has done so well, B, his neighbor in the next street or village, is not so well off as he was ten years ago. Though even in B's case, the cause for his want of success may be traced to some personal deficiency or inattention to business by which the novice may know his own success will not be endangered.

Nor does it always follow that because A made 50,000 dollars in ten years that the business is profitable at the end of the ten years. The detailed history of almost every man's business will show that there have been especially favorable periods, sometimes of six or eight years together when everything prospered, and then again a series of years when there was no prosperity; and it might possibly be that A made all his money in the first five years of his business, and in the last five, barely held

his own. In the contraction and expansion of currency permitted in this country, there would seem to be a periodicity in the whole business of the nation; having its rise and expansion through five to ten years, and its decline and contraction more forcibly in two to five years. Such a period of expansion began gradually to rise about 1830, continuing to 1837, when the excitement reached its height and culminated, turning with tremendous force downward. From this time till about 1844 business was stagnant. Then it began to gain, and continued rising with but slight occasional depression until 1857, when the expansion having reached a height generally felt unsafe, the supporting confidence was withdrawn, and the forcible contraction suddenly began. In 1860 we were just getting well out of the slough, when the rebellion began its career, and all other influences on business were overborne by this terrible calamity. During that period old experiences were at a discount, as they continued to be till the close of the war in 1865. With the issuance of the legal tender currency trade revived, and we were, nominally, at least, prosperous till 1873, when another panic occurred, bankrupting thousands. From that time trade was stagnant till 1879, when all values seeming to have reached the lowest point confidence was again restored, and business revived. This improved condition will doubtless continue for a time, to be surely followed by another crisis in the uncertain future.

A calculation of the chances of success in any new undertaking will therefore be imperfect and liable to deceive, if we do not, to a large extent, take in view the general prosperity of the country. If everything is seen to be inflated in price, and speculation is rife throughout the land, and danger of a financial panic seems imminent, the undertaking requires extreme caution. The writer will not go so far as to say that it must be postponed till

a more auspicious period, as it might then never be undertaken. In the best of times one can always find croakers who think the country is going to destruction, and no investment safe, except bonds and mortgages, secured on real estate, at not over one half of what it will sell for at sheriff's sale.

Perhaps for some readers it may be well to go definitely into the particulars, and show how such a calculation of probable profits should be made. Where there is a good deal of competition, and the gross profits on sales are at the lowest, it will generally require that at least four times as much be sold yearly as the stock of goods kept amounts to, to make the business profitable. Suppose the gross profits to be fifteen per cent, four times this will be sixty per cent of the stock, which if \$10,000, will give a total profit of \$6,000. If the stock can be turned over this often, at this profit, and the aggregate of profit is enough to cover the expenses and leave a net result sufficient to satisfy the dealer, the problem is solved. If, however, there are doubts of the ability to sell four times the amount of stock, and it is thought that not over three times the amount can be sold in a year, or \$30,000, the total profit will be, at the same ratio, only \$4,500, and may be sufficient. Still if the profit can be increased to twenty per cent on the goods sold, the result will be the same as in the first instance. The oftener the stock is, in mercantile parlance, "turned over," the cheaper the dealer can afford to sell his goods, and if he can sell five or six times the amount of his stock in a year, and make relatively as much profit on his sales as when he only sold three times his stock, his net profits will be largely increased. One of the ways by which a business frequently becomes less profitable, is through the accumulation of undesirable goods, which

are rarely sold, on account of which the yearly sales, though possibly not reduced in amount, are largely reduced in proportion to the stock of goods kept. The following table will show at a glance the relative advantage of large sales in proportion to the stock. It is made up on the basis of a \$10,000 stock, such as we have been calculating upon, and to make the yearly profit of \$6,000 it is shown what per centage of profits is required:

If turned once a year,	sales \$10,000,	60 per cent.
" " twice " " "	20,000,	30 " "
" " three times " " "	30,000,	20 " "
" " four " " "	40,000,	15 " "
" " five " " "	50,000,	12 " "
" " six " " "	60,000,	10 " "

Instances are frequent where retailers turn over their stocks as often as twelve times in a year, and there are others who do not turn their stock over more than once. The former prosper—the latter grow poorer. In some of the old plodding localities, where the dealers never expect to do more than turn their stock twice in the year, making large per centage of profits, a new and enterprising man occasionally starts up, who sells his goods at half the profits of the old dealers, and grows rich, while they stand wondering how he can afford it, and predicting his speedy failure. A glance at the table above would show such the secret of making money by selling at small profits. It is just as simple as that the shoemaker who requires a week to make a pair of boots, does not thrive if paid twelve dollars a pair, while he who by his industry and labor-saving appliances makes two pair in a week prospers, though only getting ten dollars a pair.

Having, by all the light and information he can obtain, thus arrived at a satisfactory conclusion, as to the amount

he can sell, and the *gross* profits he can make for the year, the projector of the new business should carefully set down all the outlay for rent, clerk hire, fires, lights, freight on goods, incidental expenses, and the losses of various kinds, which he will be subject to, all of which will be from time to time referred to in future chapters as we consider them in a more appropriate connection. When these are deducted, if there is left enough of the profits for him to live on, and make twenty per cent on his capital, the business promises well.

Beginners in business are sometimes deceived by a very common idea that they must not expect to make any thing the first year. Such low aspirations are not commendable. A man should start expecting to make something from the beginning, and although there will generably be more or less expense attending the starting of a new business, which is not required in subsequent years, still there are also some advantages to the profits. The goods are all new, the proprietor's energy is fresh, customers will give the new store a trial, at least, and thus some things are favorable, which may not be so in subsequent years. The author would, therefore, caution any one who having gone carefully and repeatedly through all his calculations, and finding them result unsatisfactorily as to profits, is still encouraged to undertake the business from the idea that "nobody expects to make anything the first year;" and hoping without any sufficient grounds, that future years may turn out better. Having gone a little behind the first year, he will find himself in no heart to struggle the second one; and will be very apt to succumb entirely in the third year, and consider his business hopeless.

CHAPTER III.

ON THE CHOICE OF A LOCALITY.

THE location of a business must depend mainly upon the location of those who are expected to be customers. We ought not to expect that enough of them could be found in a small village for a business in guns and ammunition, or in fine laces, or embroideries, or in books and stationery, or other such specialities. Such enterprises as these require that there should be congregated, within a reasonable distance, a number of persons using or needing enough of the articles dealt in, to support the business. The first inquiry must therefore be, whether there are enough people in the vicinity who require the articles that it is proposed to deal in, to sustain the undertaking. The second consideration might be the present source of supply, and how far the new source may be able to supplant the old.

In large towns there will be but little needed on the first inquiry. It may be safely assumed that in a town of over twenty thousand inhabitants there are sufficient customers for any of the ordinary business occupations. The second inquiry, as to the present sources of supply, and the ability of a new concern to furnish a source superior to any previously existing, will be the principal question to be considered. But these satisfactorily settled, there are some drawbacks to business in large towns that make the risk greater in doing business in them, than in country places. The expenses of business and of private living are greater, and it often happens that a large portion of a

moderate capital is expended in rents and living, before the business is sufficiently established to pay any profit. In large towns also, the fluctuations in business are greater than in villages and country places. The inhabitants of large cities are accustomed to use more of the luxuries and superfluities of life than country people, and in times of pecuniary trouble these superfluities are retrenched, causing many people who obtain their living from the manufacture of, or trade in such articles, to curtail even in the use of articles of greater necessity; and it thus follows that, to some extent, business in all branches is depressed. In country places the expenditure for living is reduced nearer to the minimum in the best times, and there is consequently less necessity for retrenching, and even if the necessity for retrenching exists, there is less to retrench. Small towns, villages and country places are therefore the safest locations to commence a new business in with limited means and limited experience. As a general thing, it is prudent for those only who have large means and experience, to begin business in large towns and cities—such as have had a few years profitable experience in a small place, and feel the need of a larger sphere for their operations.

The most prudent course for a young beginner, is to commence where the expenses of his living will be in some degree commensurate with his capital—not exceeding for the year one fourth of it, or one third at the utmost. So that if the business should turn out unprofitable, the loss will not be felt so heavily. There is always a large risk where the store rent, clerk hire, and business and living expenses of the proprietor for the year, as calculated upon at the outset exceeds the whole capital invested. As remarked in the previous chapter, the beginner should be ambitious to make something the first year,

as a stimulus to his ambition, and a reward to his enterprise, and to make this probable, the expenses of the undertaking should be based not so much on the expected profit as on the present capital. What ought to be looked for but failure and misfortune, by one who takes on such a load of expense that in the first three months he uses up all his capital, before, perhaps, his business has fairly commenced. And yet such undertakings are by no means unusual.

As the business and capital increases, removal to a more extended sphere is frequently judicious. The risks of smaller places being less, the general results of a successful business, conducted in such a place, when compared with a successful one in a large city, will ordinarily be correspondingly less.

Some of the most desirable locations wherein to commence a business, are to be found among the enterprising people of our young and growing western towns. Hundreds of successful merchants throughout the west owe their fortune almost entirely to the happy circumstance of the selection of such a locality in which to commence their mercantile career. Their business grew up with the growth of the town in which they were, and needed only reasonable attention, and the avoidance of "speculations" to produce a fortune for the proprietor.

Having selected the town, the question of the best location in the town is one deserving attention. The larger the town, the more important it is that the business should be on the best street, and also at the best place on the street. An omission to regard this will be quite as serious as to disregard the other. A location on a street out of the line of business travel—or too far up, or too far down, even on the best business street—will often prove very

disadvantageous. Persons coming to trade in a store so located, will be found to have been in other stores more conveniently or centrally situated on their way; and only come to this because they have not been suited in those they first entered. The great proportion of such customers will be found fastidious, difficult to please and troublesome to sell to when they are suited; and the business which depends mainly on such for support, is not worth having. It may safely be assumed, that for every one coming in this way, there were half a dozen who obtained what they sought in the first one or two stores they entered, and returned home without going near the store so inconveniently located, and who would just as willingly have made their purchases in it as where they did, had it been as convenient to them.

There is, therefore, a great advantage in having a location so convenient to the buyers, that when going out to make purchases, they come first there. When fish go up stream the fisherman who casts out his net lowest down the river, stands the best chance of being rewarded for his labors, as those above him only have their chance at the fish that escape his net. Still, we must not lose sight of the fact that the best location may be only obtainable at a rate too dear to be profitable. Rash and imprudent beginners sometimes err in selecting such localities, regardless of the heavy rent or cost of such choice positions, while excessively prudent men often commit the opposite mistake, and take an out of the way location, because the rent is low.

The whole matter needs to be carefully thought over, and all the points duly weighed. Sometimes the difference of a single block in distance along the street, is of consequence, and the merchants in one block will be all the time busy, while those on the next block to them in the

same street, are doing very little trade. The plan of the streets in a town, the quarter in which the customers reside, and the route they ordinarily or naturally take in getting into the business location, should be considered. The location of the principal stores on a business street need not always govern a person in his selection, as it frequently occurs in our fast growing towns, that the business location, adopted as such when the town was smaller, has become inconvenient, on account of the growth of the town in a direction different from what was originally expected. When such a circumstance exists, there is a question open for consideration, as to the relative advantage of a location in the vicinity of the older stores, or of one more convenient to the residences of the customers. The magnitude and character of the contemplated business might also be allowed to influence the decision. If it is one complete in itself, giving a full assortment of the kinds of goods kept, convenience to the customer should govern; while if it is one of limited character, not comprising all that a customer would likely desire at the time of going out to purchase, necessitating a visit to some other store, it will be found preferable to make one of the crowd, and take the chances of the old locality.

Some months ago, when traveling, the author stopped over night at a country tavern, and while sitting in the bar room, was amused, and perhaps somewhat instructed, in listening to a talk between the tavern keeper and a friend, who seemed to have visited him to get his advice about the propriety of renting a tavern (or hotel as he called it) at the county town, some few miles distant. They had duly discussed the rent, number of rooms and other accommodations for travellers, when the tavern-keeper remarked that "there must be a good deal of money taken in at the bar." "Yaas," responded the visi-

tor, "thare was consid'ble drinkin' goin' on all the time I was thar, an' I sez to myself, when I looked round and see the court house and the crowd on one side, and the stores and customers on tother, 'twas about the handiest place in town for a feller to git a drink." He evidently appreciated the advantage of the location.

Much of the benefit to be derived from a new location in a different street, or further up or down the street than where the trade has hitherto been carried on, arises from the cheaper rents ordinarily current in such localities. To obtain this benefit, however, it is essential that a long lease be secured at a low rent, so soon as it is ascertained that the location is well chosen. This may frequently be done by taking a store for one year, with the privilege of a longer term at the same rent; or with privilege of purchase at a set price, if it be intended to make the purchase. If this advantage is not secured, the dealer may find competitors for the lease of the store, and the price will be advanced to him; notwithstanding that to a great extent, it was his business occupancy that made the location desirable.

A good location with many advantageous connections is sometimes secured by buying out an older dealer, and thus coming into the enjoyment of the profits and advantages of an established business at once, which it has taken years to build up. Like many other things, though, these advantages are often bought too dear. At a fair price it may be considered the best method by which a young man can get into business, but it needs much caution, both as to the price and the character of the business. If the business has been conducted in an irregular, thriftless manner, it may be more trouble to get the customers out of their bad ways than it would be to make

new ones. When a man starts business anew, he may make almost any rules he pleases regarding credits, taking back or exchanging goods, etc. If they are in accordance with reasonable and common sense views, the customers will submit to them, and will not be offended; but when he succeeds to an older merchant, every change he makes in his method of dealing with the customers is criticized, and compared with the old way, and offence is frequently taken.

There is an intangible article called "good will" generally included in the purchase of the stock of a retiring dealer, which is supposed to be his favor—his commendation of the purchaser to his customers—though it generally includes the customers themselves, so far as they are a transferable article. This "good will" if really felt, is of much advantage to the purchaser, for it is in the power of the retiring merchant, by his influence, to aid materially the new business, or by his enmity to injure it. It sometimes occurs, though, that a retiring dealer, looking upon this "good will" as simply the transfer of customers, or established trade, sells it, and while openly professing to commend his successor, does so with so many "buts" and "ifs" that he really injures the man's trade more than he could if he were an open enemy. It is pretty hard to bind a man in such things who has no conscience or sense of what is just.

The author has seen several instances of want of good faith in keeping an agreement of this kind, and has generally found the ground of refusal to keep faith to be, that nothing was really paid for the "good will." On further investigation it would turn out that the retiring dealer had obtained a good price for the stock, and talked about the "good will" which he threw in to make the bargain good; and thus sold an old stock of unde-

sirable goods—perhaps not worth over fifty or sixty cents on the dollar—at about cost. On account of these experiences, the author recommends any one proposing to buy out an old dealer, to treat for the stock of goods, and for the "good will" separately. So much on the dollar of cost—fifty, sixty, seventy or eighty cents—or whatever their real worth may be, for the goods, and a certain specified sum for the "good will." "Good will" so purchased is more apt to be real, as the seller feels he has a real consideration for it. The "good will" that goes with the goods to make them cheap to the purchaser, may last till the payments are made for the stock of goods, but beyond that is not always to be depended on.

Many of the questions considered in this and the previous chapter, are decided by this method of commencing a business. From the success of the old dealer the beginner can calculate somewhat of his own chances. In considering the success of the old dealer, however, the last one or two years profit is of more consequence than the profits of a series of years. The inquiry should be, whether the business is profitable now, not what it was two or three years back.

To obtain this knowledge, the amount of purchases and the amount of sales, with the gross profits and store expenses of each year, should be obtained from the retiring merchant. When the "good will," before spoken of, is bought, the buyer has the right to demand these, and that they be given truly, as they are the data from which, in great measure, the value of the "good will" is calculated. An action at law will lie against the old dealer for damages for any loss incurred by the purchaser, if he has been misled by false or deceptive statements about the profits of the business.

A few words of special caution may with propriety be

added, on the danger of being misled and deceived by the person who proposes to sell out. Unscrupulous men sometimes add to their stock a variety of trashy and worthless articles for the sole purpose of defrauding some verdant buyer. Bottles of common colored whiskey nicely labelled "Best French Brandy," and valued as such. Tea of very inferior grade, or perhaps damaged, purporting to be the best quality, etc. Or the fraud may take the form of drugs and medicines, the adulteration of which it is difficult to detect. Even the apparently well-thumbed account book, or prescription book, showing the daily business is all a sham. But it is glowingly advertised as a certain fortune to any one who will purchase, and would not be sold for any consideration, only "the owner has other business," "or is in ill health," or "going west," etc. Once in possession, the deluded purchaser waits in vain for the rush of customers, and finds when too late that he has been villainously cheated.

Known instances of such deceptions should induce caution in purchasing from a stranger. Ordinarily a profitable business does not go begging for a customer; nor is one frequently sold out to a stranger, without some good reason, such as the death of the proprietor, his failure, or the necessity of removal to some other locality; and sometimes, though still more rarely, the disposition of the proprietor to retire with a competence. In the last case, however, the proprietor generally chooses his own time to go, and his successor; and the transaction is often regarded somewhat as a favor, bestowed either on some employee who has merited it by faithful attention to the business, or upon some intimate friend or relative.

A man may have a reason for selling out, sufficient to induce him even to make a sacrifice to do so, which another would regard as insufficient. Some men are natur-

ally timid, and having made a moderate amount, are very fearful of losing it at every threatening aspect of business affairs, or at what they think a critical period. Particularly has this been the case since the downfall of the rebellion. And a person of nerve and self-confidence may on this account sometimes obtain a fine business position and trade at a very satisfactory price. Unless, however, a satisfactory motive is apparent, it will be better to leave the purchase alone. The probabilities are that there will be no advantage to be the successor in such a business, and it would be better to start anew.

The subject of a removal of business from one locality in a town to another in the same town, may also be appropriately considered in this connection.

This ought to be always of serious consideration, as future success or failure often depends upon it. In actual business in cities, it is probably more or less dwelt upon every week in the year, and especially at about the period of annual house moving. If trade is dull in the morning of any special day, the proprietor takes a walk up the street to see what his neighbor on the next block is doing, and if he sees two or three customers in his store, he immediately agitates the subject of the relative value of the two locations for business. And this is kept up by his clerks, who are always ready to excuse their own deficiencies and inattention, or perhaps incivility to their customers, who go away without purchasing, by alleging that "the store is so badly lighted that it is impossible to sell goods to any one who is particular," or "this is such an out of the way place that the customer has been in all the stores in town before coming here." While there may be no great loss in agitating the subject to a reasonable extent, it is productive of harm when it becomes a com-

mon excuse for every deficiency in sales. A good rule to observe, when contemplating removal, is to look at the "balance sheet" for the year. If that shows a fair profit, do not be in a hurry—stay in the old place another year at least. No matter if the windows are small, and the inside finishing old fashioned, or not fashioned at all; or the rent is too high, or it is inconvenient to do business in; still, if the one great result is forthcoming—that the business is on the whole profitable, do not risk removal. "Let well alone" is a good rule in this matter, as in many others.

When a merchant is not thriving in his present location, the case is different. There is no advantage in a man clinging on to one place, like an oyster to a rock which the waters have permanently receded from and left bare. Let such a one, however, seriously consider whether it is the location which is the cause of his want of success, or whether it may not be something else. If he concludes that it is the former, he should go as soon as possible.

These changes, when they transfer the dealer to a considerable distance, are sometimes very unpleasant, owing to the social ties and connections which require to be sundered; but these should not have too much influence on the judgment, when the means of living are at stake. Postponement in such cases only increases the difficulty, makes it harder to part, and tends to gradually reconcile the man to remain and look with equanimity on what will probably sooner or later occur—his failure and insolvency. A house well established in business, with a large number of regular customers, may risk removal to a less eligible location for the purpose of reducing rent, or other prudential considerations, but the movement then should be to a location which would be gradually improving, never to one that is gradually deteriorating.

CHAPTER IV.

ON BUYING A STOCK OF GOODS.

AFTER choosing the location, the next thing in order is the purchase of a stock of goods. To do this properly, it will be requisite first to ascertain what the wants are of those who are expected to be customers, in the particular line of the business contemplated.

Every community has more or less of peculiarities of style in dress and living, which must be kept in view by the merchant who would purchase goods to supply the wants of that community. In one community gay colors prevail; in another a staid plainness predominates. Certain makes or qualities of goods are in demand in one locality, that in another are seldom asked for. Wholesale dealers in large cities, who meet with buyers from various sections of the country, are required to purchase their goods with reference to this varied demand; and hence where they keep large stocks, there will be found a "southern" style, a "western" style, a "country" style, a "city" style;—with even finer drawn distinctions, as a "Broadway" style, an "Eighth Avenue" style, or a "Bowery" style, as the prevailing tastes of the different communities require.

Much of a retailer's success will depend on his ability to catch and retain in his mind the prevailing ideas of taste in the community in which he does business; and on his purchase of such goods only as naturally attract and please his customers. It will not do for him to get too far ahead of his customers, in the matter of taste and se-

lection of goods, and think that he can bring them up to his standard. He may, by doing so, make his store select, but never popular. If his customers are better pleased with red and yellow than they are with drab and lavender, he must endeavor to like red and yellow too.

In noticing and following out the characteristics of dress or style, as popularly in vogue in the community, care must be taken not to servilely copy styles or patterns of goods actually worn, which would often be only the duplication of some rival merchant's goods, that have already lost their novelty.

The quality of goods worn must also be considered, as well as the style. It would be a great mistake to purchase an assortment of goods of inferior quality, when the customers are mainly people of wealth, and accustomed to the use of goods of finer quality; and equally as great an error in supplying a neighborhood with goods finer than they are accustomed to use, or can afford to purchase.

The quantity of goods to be purchased at the commencement of a business should depend mainly on three things: the amount of capital, the probable amount of sales, and the convenience for replenishing readily during the season, such portions of the stock as may be sold out.

As to the first—the amount of capital—it is supposed that before even the location was selected, this was exactly fixed and known; and is, therefore, at this period, not in any uncertainty. The second—the probable sales—it may also be presumed, has received attention, and been fully considered in deciding upon the location. Yet, as it is now absolutely necessary that it should be closely estimated, if not before, done, a few words on that subject will be in place.

An estimate of probable sales may be founded on the experience of other dealers in similar positions, or as near similar as may be found. If the kind of business proposed, or the location and neighborhood are so peculiar that no such experiences can be found, then the estimate may be made by an independent calculation of the wants of the community in the aggregate, by first estimating the wants of separate individuals or families. Taking a sufficient number of them to form somewhat of a fair average, and multiplying this average by the whole number of individuals or families in the vicinity of the business. By such means an estimate may be formed of the quantity of goods yearly required in the particular line, to supply such a community. Following this will be the consideration of the present source of supply. If it is distant and inconvenient, either in whole or in part, it would be reasonable to expect that if a new concern started in the locality could furnish the supply, in all respects as satisfactorily in price and variety, that the advantage of convenience would so far govern as to induce the community to obtain the supply at home, instead of going abroad for it. When part of the supply is furnished by dealers already in the locality, it will be necessary to consider the chance which the new enterprise has of drawing a certain portion of trade from those who have been longer established. By a comparison of his advantages as compared with others, in buying for cash, in economical expenses, or in other ways, the beginner can make probable his ability to take so much of his sales from one dealer in the vicinity, and so much from dealers at a distance; together making up a round amount, which he may confidently hope to sell yearly.

Though such calculations may seem at first glance impracticable, they are not so difficult nor unreliable as

many might suppose. The originators of every projected railroad, canal or other like enterprise, base their claims upon capitalists for money to construct them, upon calculations framed upon such foundations. As an illustration, suppose that in a community of 10,000 persons, centered around a small town, it should be found by an inquiry among various classes and grades of the people, that the average yearly consumption of such goods as a person proposed to deal in, was ten dollars for every man, woman and child. This would require a supply of \$100,000 worth for the community per annum. Now, suppose there are five stores in the place, dealing in this kind of goods, whose aggregate sales are \$80,000 a year, leaving \$20,000 to be purchased from some distant city. An additional dealer with a new stock of goods, all other things being only equal, might expect to do a share of the home trade, in proportion to the assortment he keeps, equal with the established houses. And by his addition to the combined assortment of the town, tend to retain at home a part also of the \$20,000 which had been laid out in the distant city. Thus, if he should keep a stock of goods of the value of \$5,000—and that is as large a stock as any one has who sells \$20,000 yearly—he might reasonably expect to sell as much, less the proportion of the decrease in sales, which all would have to submit to, by the introduction of a new concern taking a share in the whole business of the place. Prudence would, of course, dictate some reduction from this exact sum for contingencies, and for the increased attention the old dealers would be likely to give when they seriously feel the influence of the new enterprise, in curtailing the amount of their sales.

In all calculations of the foregoing kinds, much will depend on the popularity of the house already in the

trade. Unless there are some good indications that a fair opening for a new enterprise exists, owing to increase of population, or to the unpopularity of some one or more of the principal houses in the trade, the locality could not have been well selected; and hence, as before remarked, this subject of the amount of goods which can be sold per annum, in a certain line of business, should be settled before positively deciding on the location.

The third and last consideration in laying in stock—the convenience for replenishing in articles which may be from time to time sold out, must mainly be governed by the distance from the entrepot where the purchases are made. If it is very near, it may be advantageous to visit it every week to replenish, or even to see the range of prices, or the probability of a fall or rise on certain articles, so that the price of those on hand may be modified to meet the market. When the distance is greater, it may not be profitable to go oftener than once a month for that purpose, and when still more distant, twice or thrice in a season. But the distance may be so great that it is advantageous to purchase all that is likely to be needed for the coming six months; though in these times of railroads, telegraphs and frequent mails, such locations are rare.

A good general rule to adopt in such cases, would be to arrange the primary purchases at the commencement of business, and afterward at the beginning of each season, so that there will be no necessity for going to purchase again, until so many goods are required that the expenses attending the purchase will not, at the outside, exceed two per cent on the amount bought. If the rate could be reduced to one per cent it may be still better. If goods are purchased in March, that will not be needed

till May, the loss of interest may be greater than the expense of a second trip; besides the risk of deterioration in price and damage, and additional expenses incurred by having the goods in possession long before they are wanted. Some reliance may be placed on ordering limited amounts, particularly of staple and regular kinds of goods, concerning which something will be found further on in this work, in a chapter about replenishing stock, to which the reader is referred for details that may be important to consider in this connection.

The purchase of very choice styles of goods, or goods in limited supply, should be governed by other considerations. It is sometimes necessary to secure these early in the season, as later they may not be found, and the retailer who has secured a full supply of them will have an advantage over one who can not get them, or can only obtain them at advanced prices.

However, as it requires a master at the business, to tell what goods should rank as choice, and what are likely to be in limited supply, and as it is the interest of the wholesale dealer to have his customers believe that everything he has for sale has one or both of these advantageous qualities, it is the safest course for beginners to keep closely to the above rule; deviating only when the judgment is well satisfied that it will be profitable to do so. The large purchases partake somewhat more of a speculative character, and therefore the lighter purchases, with frequent replenishing, are to be commended as more prudent.

To enable the retailer to avail himself practically of his conclusions in relation to his purchases, as proposed in the foregoing, it will be necessary for him to make up a list or inventory of the articles he intends purchasing,

before commencing to buy; putting down as definitely as he can the quantity and value or price of each article. As the making of this up is a work of some labor, when done properly, (and it is of not much use unless so done,) a little space will be devoted to the specific details of such a list, taking for the illustration a stock of *dry goods*, to amount to \$10,000.

The first subject to consider will be the various departments, or sub-divisions of goods, which come under the general name of "dry goods." The beginner should take a sheet of paper and write down each subdivision, one under the other, as follows:

Men's wear,	-	-	-	-	-	\$0,000
Ladies' dress goods,	-	-	-	-	-	0,000
Brown muslins,	-	-	-	-	-	0,000
Bleached muslins, -	-	-	-	-	-	0,000
Hosiery,	-	-	-	-	-	0,000
Gloves,	-	-	-	-	-	0,000
Flannels,	-	-	-	-	-	0,000
Tickings, -	-	-	-	-	-	0,000
Linen goods,	-	-	-	-	-	0,000
Silks,	-	-	-	-	-	0,000
Ribbons,	-	-	-	-	-	0,000
Etc.						\$00,000

In this way, running out a list of every class, he can think of which is appropriate to the business, or which it would be profitable to keep for sale. When this is completed, or all on it that can, for the time, be thought of, then he may take up one of these sub-divisions as a heading for another sheet of paper, and under it put down every thing which is thought necessary to have, to make the assortment complete, with quantity and price; carefully considering so as to get only such articles as are desired; and then count out the amounts into the outer

column, or edge of the sheet of paper, and sum up the whole, so that he can see what the estimate is for that department. Suppose, as an example, the first sub-division is taken, viz:

"GOODS FOR MEN'S WEAR."

1 piece black cloth,	16 yds., at \$3.00	\$48.00
1 " " "	16 " " 4.50	72.00
1 " brown "	16 " " 4.00	64.00
1 " blue "	16 " " 2.50	40.00
1 " bl'k beaver do.	20 " " 4.00	80.00
1 " " " " cot. warp	20 " " 2.25	45.00
1 " black cassimere,	25 " " 1.25	31.25
1 " " "	20 " " 2.00	40.00
1 " blue "	20 " " 1.50	30.00
1 " steel mixed do.,	25 " " 1.25	31.25
1 " " " "	25 " " 1.50	37.50
1 " " " satinet,	30 " " 75	22.50
1 " black satinet,	30 " " 1.00	30.00
3 " fancy cassimere,	75 " " 1.00	75.00
2 " " "	50 " " 1.50	75.00

Etc.—thus going on through all the variety which may be thought necessary to make up an assortment which we may suppose will foot up to the amount of \$1,600. Then taking another sheet, with another of the headings and continuing on, the same way through all the sub-divisions, summing each one up separately. When this is all done, the footings or amounts are to be set opposite to each heading on the first sheet started with, and all added up, which will show what the whole estimate amounts to. It is, perhaps, necessary to remark here that the novice is to give a careful consideration to every article he puts on the list. If he knows that blue cloth is only bought by a certain class who do not desire a fine article, he will mark it at such price as he thinks will suit best, and not merely mark at random as the illus-

tration is marked. If he has noticed that nobody wears blue cloth in the locality, of course he does not want to put it down. And so of every separate item under each head. Each is to be separately considered, and the relative merits of different values duly estimated, and whether one quality alone will suffice, or whether two, or three, or more, different qualities are necessary for the assortment.

When this is all made up, he has before him a list of about such goods as he would buy if he should go to make his purchases without a definite idea of what he wants. But if he now counts up the totals of each class, he will probably find that instead of \$10,000, (the proposed limit,) they amount to \$12,000, or perhaps \$15,000—as his purchases would if made without the list. Should the list not be capable of reduction, to the limit of \$10,000, by striking out individual articles from under each separate head, without seriously impairing assortments, it will be necessary to consider the propriety of dispensing entirely with one or more of the sub-divisions or classes of goods. It is generally preferable that there should be a fair assortment in each such sub-division of goods which may be kept, rather than a greater variety of classes with a poor assortment in many of them. In the case illustrated, therefore, it might be desirable to strike out the department of "silk goods," or "ribbons,"—or perhaps "men's wear," which now often forms an entirely different branch of business. When the whole list is perfected by thus going over it, and brought within the proposed limit as to amount, for convenience it should be copied into a pocket memorandum book, using only the left side pages, reserving the right side blank for the insertion, at the time of purchasing, of the exact quantities and prices of the goods purchased; and when the goods bought are not just such as are on the list, which will often be the

case, to note what is purchased in lieu of them. The initials of the wholesale dealer should also be added on the line, if there is any probability of forgetting from whom the purchase is made. Such memorandums are valuable for correcting errors in quantities or prices, which may be made in entering the goods by the salesman, and attention to them will prevent the retailer from duplicating his purchase in another house, which he may sometimes do if he has no note of the previous purchase.

It will often happen that it is impossible to put down with accuracy the details of the articles to be purchased before seeing them. In such cases, it may be sufficient to put down simply the amount intended to be invested in the class of goods. But in the most difficult cases much may be done to aid the purchaser in the excitement of buying. Take, for instance, in a dry goods business, such a class of goods as "dress trimmings," than which nothing in the whole range of merchandise is more variable. The continually recurring, yet unexpected and irregular changes in the styles and colors, make it almost impossible for even the most astute retailer to decide upon what he will buy, until he sees the styles. One season "gimps" are all the "rage," the next "fringes," then "buttons," then "braids," then "velvets," then "ribbons," and so on, each kind in dozens of diversified styles, the only and great aim of those who get them up being to get something new, so that the variety might well confound the calculations of the experienced. Still, even in this chaos of finery, much can be accomplished in preparing the way towards a proper selection. Suppose in such a case it should be decided to invest \$300 in a small assortment of fashionable dress trimmings, the particular kinds to be decided on after inspection. It will be a material help to the judgment to divide the amount, and say

how much shall be invested in qualities suited for lawns and printed dress goods of like character; how much for a better grade suited to worsted or woolen dress goods; and how much to a finer grade for silk goods. And if experience has shown that it is difficult to sell dress trimmings, when the whole quantity required for a dress exceeds in value one-fourth the cost of the dress, a still closer classification can be made, and the completed list will give perhaps \$50 worth, ranging at from twenty-five to fifty cents to the dress, \$100 worth from fifty cents to a dollar for the dress, and \$150 worth from \$1.00 to \$3.00 for the dress. Such memorandums while they confine the range to narrow limits, still give scope for the selection of any style or kind of goods which may be thought most suitable after inspection. In fact, the list of more regular goods will sometimes not be more definite, and will often read thus:

3 pieces cotton pant. stuffs, to sell from 37½ to 75 cents.
leaving the exact styles and prices to be decided on after an inspection of the goods.

A week might be well spent by a person beginning, in properly making up such a "memorandum book." Care in such particulars indicates prudence and forethought, and if a retailer finds himself deficient in either of these, a habit of relying on such memorandums in purchasing will make it necessary that he does reflect and think, before going to make his purchases.

The experienced merchant finds the advantage of such a guide in buying a diversified stock of goods, and the beginner never need fear that he will know too much about the goods he intends buying, before he commences to purchase. As the more exactly he knows what he wants, the less is he likely to be improperly influenced by the wholesale salesman. Besides, this preparation is

something of a relief to his mind, which is likely to have enough to fully occupy it, in obtaining credit, comparing prices of rival houses, selecting, shipping, and settling for his purchases.

But such memorandums should not be guesses or jumping at conclusions in the lump, as they are then worse than useless, giving a man the idea that he must buy something, he knows not what; whereas if he trusts entirely to his memory he might recollect something of what he wants.

As an illustration of this guessing process, quite prevalent with some who are too lazy to look particularly into details, the writer once saw on the memorandum book of a retailer who was buying to replenish stock, the following:—"A small assortment of narrow ribbons." The retailer said he had a good many at home, but he would select out a few more, which he did, simply guessing at the widths and colors he needed, when he could have had in ten minutes time before he started, a full list of the exact colors and widths he was out of, thus surely avoiding the duplication of goods which would likely take place by the guessing method.

For want of care in making up such a list, many a retailer has his shelves cumbered up with unsaleable duplicates of goods, which employ a large part of his cash capital, and for any practical advantage to his business in increasing sales might as well be packed away in cases. All that sells of them from season to season scarcely pays for the depreciation alone, without considering the trouble of keeping them in order, and their often being a hindrance to the purchase of other goods which would sell. A dealer that the author knew had some experiences of this kind in one department of his business—that of "kid gloves." Without special regard

to his customers' wants he had made several purchases of "job lots," from time to time, among which were many sizes and colors not often called for. These increased the bulk and appearance of the stock, much beyond what it had ordinarily been. Notwithstanding the increased stock, complaints were soon made by the salesmen that they could not suit the customers out of the stock on hand, and more gloves were wanted. This being a very common excuse for failure to effect sales, but little attention was given to it. There seemed to be enough gloves, and they were offered cheap enough. But the glove business gradually declined, and the stock did not sell off. Finally, when the busy season had nearly passed by, it became patent to the proprietor that something was wrong with the "kid gloves." He had the whole stock carefully assorted out, when it was found to be mainly made up of the odds and ends of the "job lots." Sizes too large or too small for the general trade, and colors and qualities not desired even when the sizes were suitable, with scarcely a pair of gloves in the lot of such as were daily called for. The remedy adopted was to send a large part of them to the auction room to sell for what they would bring, and get in a fresh supply of the right sizes and colors, after which gloves were sold to the customers as before, without complaint.

There are not many retailers who have been four or five years in business, but will find such unsaleable lots of goods on their shelves, which they would be benefitted by selling off at auction for whatever they will bring, and supplying their place with something desirable. A man may find it to his interest to keep a piece of land year after year, though it brings him in no income. He is often not disappointed in his expectations, and after keeping it five or ten years, it sells for so large an advance

over cost as to make it a good investment. But such advances in price cannot even be hoped for in merchandise, hence the sooner unsaleable goods are disposed of the better.

Young merchants sometimes meet with considerable losses, which have their origin in an attempt to keep a greater variety of sub-divisions of goods than their capital will warrant. They get a little in every department, but hardly enough for an assortment in any one; intending to learn by the experience of the business what particular classes of goods are most profitable, or rather, perhaps, what kinds they have most demand for. Starting without any well devised plan, they "feel their way along." When a man cannot see his way, of course feeling his way is necessary and prudent. The danger of this plan however, is, that a great many "odds and ends" of broken assortments are left on hand, which it is very difficult to sell, except at a loss. Take for illustration the case of a beginner whose memorandum book is made up a few pages back. If, when the rough calculation indicated there is completed, and it is found that it will require \$15,000 of stock to give a full assortment in each department, he should be in doubt which department or sub-division to strike out of the list, and so conclude to first try all of them with a limited assortment, or rather some of them with no assortment, cutting down the department of "men's wear" to \$600 worth, and several others in the same proportion. The result would be that these departments, having no assortment to show, are soon lost sight of in the activity of the other branches in which the assortment is good. And thus, perhaps, one-quarter of the capital will be practically lost to the business: the goods remaining month after month on the shelves, until they become faded or out of fashion; and even when

sold will not bring more than three-fourths of what they cost.

Every experienced retailer knows how difficult it is to close out all the stock in any one department which he desires to cease dealing in. It is always done with considerable loss after the assortment is once broken. Hence, if a memorandum list, carefully made out as suggested, only prevents losses of this character, it will amply repay for a month's labor, if necessary, to make it out. But its advantages are not limited to this. In fact, no prudent merchant would think of purchasing a stock of goods without such a guide. A junior partner in a western house, who had been considered so prudent as to have had charge for some time of a branch concern, came east some years ago to make purchases for the first time, without any definite idea of the quantity of goods he was to purchase in each department of business, but was limited in the aggregate to the amount of \$8,000. When he got home and summed up his invoices, he had actually bought over \$20,000 worth. So great a mistake could only occur from an entire dependence on the estimates of the hour, and the want of a well digested and pre-arranged list of quantities. The influences and excitements of a first visit to the great metropolis overcame his cool judgment.

Nothing is so distasteful to a salesman in a wholesale house as to see his customer with memorandum book in hand, asking by the card for this, that, and the other. The young merchant is frequently ridiculed for "old foggyism" in tying himself down to it, and urged to "go in" and buy anything that is "cheap." But these very objections are evidences of its value. The salesman knows that while his customer adheres to it, there is but little chance of influencing him to buy beyond his wants.

Before the beginner leaves home to make his purchases,

it will be prudent to make some calculations as to the amount of goods which it will be necessary to buy on credit, if any. This subject can be had in view when making up the memorandum book. Certain goods are mostly sold for cash; others are purchased more advantageously for cash, even when they are also sold on credit. Other kinds may be wanted in such small quantities that it would be injudicious to ask credit on them by a person just commencing business, as the necessity for credit on such trifling amounts would indicate an insufficient capital for the business, and might give rise to suspicions that he does not tell the truth about the amount of cash capital he possesses. The credit needed should therefore be obtained on other than the foregoing articles, and generally, it may be remarked, only on goods in which the difference between the cash and credit price is not greater than one per cent a month for the time of credit.

The relative proportions of his cash and credit purchases having been settled on, in accordance with the recommendations in the first chapter of this book, it will now be necessary only to carry out the detail by proportioning the amounts of cash and credit to each separate sub-division of the stock. These proportions may be noted in the memorandum book at each heading. As the cash is a specific item, while the amount of the credit is an undetermined one, it is necessary to take the cash first into calculation.

To make this subject more plain, the illustration as before used, of a ten thousand dollar stock will be continued. The capital in cash we will take to be \$5,000, out of which must be reserved sufficient to pay freight and expenses of purchasing, etc., say in this instance \$300, or better, perhaps, \$500, so as to pay any bill of trifling amount which may have been omitted from the calculations

in the memorandum book. This will leave \$4,500 toward paying for purchases. In going over the memorandum book, it is found that \$700 will be required to pay for small purchases and "cash" goods, leaving \$3,800 to apply on the purchase of the balance of the stock of goods—\$9,300. This would enable the purchaser to pay forty per cent of his purchases in cash. The balance—sixty per cent—he will require on credit. To be on the safe side he should endeavor to make the arrangement with the wholesale dealer to pay one-third cash, as he may occasionally be under the necessity of paying as much as one-half cash on some purchases. Besides, it is always pleasanter, and adds to a retailer's credit, to be able when settling up for his purchases, to pay a larger proportion in cash than was agreed upon, while the opposite condition, where he comes short of his promises, and having agreed to pay one-half cash, has to ask that he be let off with one-third or three eighths cash, even though granted, as it often is because the goods are entered and packed, causes a loss of confidence in the retailer's ability to manage his business properly.

One advantage which this pre-arrangement gives the buyer, is the ability to tell, when he asks for credit, exactly what proportion of the purchase he can pay in cash. Which proportion for his benefit should always be settled on before he has made any selections of goods. If he goes on to select his goods, leaving the seller in uncertainty as to whether he intends to ask for credit on the whole, or to pay cash for part, the most unfavorable view is taken, and it is supposed that he will want credit for all of them. Now, as the payment of part cash on a purchase is always advantageous to the seller, or regarded so, the buyer should obtain the advantage of his cash payment, by having the terms of the credit and the proportion to

be paid in cash settled on primarily. The wholesale dealer will then be disposed to accord to him such favor as he deserves, on account of the cash payment, in making prices to meet his views whenever possible.

The *length* of credit which the retailer will require on his credit purchases, is also of importance, and should be duly considered in this connection, and the conclusions which may be arrived at entered in the memorandum book, with the amount. This length of credit, or time as it is usually called, must be sufficient to enable the buyer to get his goods home, sell them, and if credited out, to make the collection before his own payments become due. It will doubtless save present reflection and labor for the retailer to jump at a conclusion, and assume that he will sell enough to pay his bills as they mature; especially if he buys his goods on the longest time he can get. But it will be more prudent for him carefully to investigate his chances of selling for cash, and collecting the cash from previous credit sales for each month of the year. Such calculations will be but the details of the yearly sales, referred to in the beginning of this chapter, and may be used to confirm or disprove the conclusions there arrived at. These are the data from which he is to decide as to the length of credit he will need on his purchases.

It may seem to some readers as no great matter if the dealer gets the longest credit he can, and yet falls short at the time of payment; how can it help him to know that he will be short when he buys the goods? But setting aside the impropriety of a man purchasing goods on a specific time, when he has made no calculation as to whether he will be able to pay, in which case if he fails his innocence is only ignorance, at best, and ought not to

exculpate him for a broken promise, it is not profitable for a man to buy goods on a longer credit than he needs. Almost all houses that sell on credit, sell proportionally cheaper the shorter the credit. That is, if six months be the ordinary credit, and a buyer is content with three months, often one per cent a month will be deducted for the three months taken off; while if the credit is given at six months, and at the end of three months the purchaser desires to pay, if in good credit he could probably only get two to two and one-fourth per cent off, or at the rate of seven to nine per cent per annum. Besides this difference, there will frequently be modifications in price to the short time buyer. Hence it is not profitable on the whole, for a man to purchase his goods on any longer time than he actually needs.

The process of making up the monthly estimate of receipts of cash, is somewhat different from that of the yearly estimates before mentioned. Each particular business has its months of activity and months of dullness, in the former of which the most of the trade is done. It is expected that a person embarking in a new business will know enough about its character to be able to tell, with some degree of certainty when these months are, and what proportion of the annual business is done in each one of them.

When any part of the retailer's sales are on credit, a different rule of estimation must be employed, as the receipt of the money is consequent on other causes than activity in trade. Goods bought at retail on credit, will generally only be paid for when the buyer comes legitimately into possession of the money, from the prosecution of his business or calling. The consumer is not likely to borrow money to make such payments, as the dealer sometimes does in an emergency. If the retailer's custo-

mer is a farmer, he will probably be in funds to pay when his "wheat," "wool," "cotton," "tobacco," "fatted cattle," or other product is sold. If he is a mechanic, lawyer, doctor or other person living in and depending upon a community of farmers for his business, he can only pay when he is paid. Hence it comes that in every community there are one, two, three or more specific periods in the year, varying as the communities vary in their products, which are known and respected as "pay-days." In manufacturing districts they may be monthly or semi-monthly. The retailer must note these periods, and make his arrangements for collections at such periods.

By the observation of all these circumstances, an estimate can be made of the cash receipts for each month in the year, upon which is to be based the retailer's credit purchases. Such estimates always need a large margin for contingencies, especially those which are founded on the collections from credit sales. If it can be avoided, it will be better not to undertake obligations exceeding three-fourths of the estimated receipts, as it is better to have a little money over than to be short. There are almost always opportunities in a business, in which an enterprising man can use to advantage any surplus of cash he may have on hand, when he does not think it desirable for particular reasons, to discount his future payments.

The advantages of thus arranging the credits, so that the resources of the business will meet the liabilities at maturity are many. Promptness in paying mainly depends on it. Without it, it is not always possible to use all the capital in the business to advantage. For even when the capital is so large that the dealer is in no danger of being unable to meet his notes at maturity, if no calculations are made of the character mentioned, there will occur frequent periods when the capital lies as cash

in bank, and can not be used to a profit, but must wait perhaps for two or three months, the maturity of bills which might better have been purchased on shorter time. A friend of the author, when just commencing business, was advised by an old and successful dealer, to always keep himself short of money. The advice is good for all men in business, if followed in this way: in buying on just such a length of time, that it requires the dealer to attend closely to his sales and collections, so as to get together the money necessary to meet his obligations, rather than to buy on such long time, that he is certain to have money enough to meet his payments, and so can be careless about selling off his goods and collecting in his outstanding accounts.

It is the practice of some very successful business men, to buy their goods on the longest time they can get, in all cases, and rely on discounting whenever they have money on hand beyond their immediate necessity. But the practice can not be commended to a beginner who has his credit to establish. Those who succeed on that plan are generally the old dealers, who are in good credit. It may answer later in business, when a man, feeling that he is fully responsible and able to meet all his engagements at maturity, and his credit is undoubted, does not wish any more to take the trouble of cyphering out exactly how much he can pay from his business this month, and how much the next, but takes it easy, paying when he has the money, and letting the bills run on to maturity when his trade is dull.

The disadvantage to the dealer of not having any estimate of the receipts of cash in his business, and of inattention to this in getting credit for his purchases, will be the maturing of his obligations at periods when he has not sufficient business resources, but must depend upon

borrowing to meet them. The \$5,500 of goods, which the dealer would require to buy on credit, in the case before mentioned, must have some specific pay-day. Perhaps it is four months off; and the dealer seems to have a very easy time when he gets his goods home, and they sell off freely. He has so much money, and pay-day is so far away that he can go again in a month and buy some more goods; increasing his stock perhaps a thousand dollars, and paying cash for the most of it. Soon he is within one month of the maturity of his first purchases, and the money that seemed so plentiful before, is all at once scarce. The busiest months of the season have gone by, and now, when there is but little selling, and less collecting from outstanding accounts, his heavy payments are due. By borrowing and scraping he may possibly make up the amount, but the chances are he is short, and has to go to the wholesale dealer with a long story of "dull trade"—"great many of the goods bought of you still on hand"—and requires one-half the account extended over a couple of months. Such retailers often find that the next time they want to buy, the goods seem dearer in that house than in other places, and so they shift their patronage to another place, to go through the same experience there, at every little crisis in money matters, or stagnation in trade.

A dealer who will arrange all the subjects treated of in this chapter methodically in his memorandum book, so that he can readily refer to them whenever his memory is at fault, transacts this part of his business in a way which gives every one with whom he deals the impression that he is a man of order and regularity in his business—two essential requisites for a merchant—and thus lays the foundation for a good credit. While the one who disregards these details, and buys his goods at ran-

dom, taking credit as he can get it, more by chance than calculation, will find that no matter how great his capital may be at starting, he will be long in obtaining a first-class reputation or credit as a merchant.

It is an old adage among merchants that "goods well bought are half sold." It is as true as it is old. One merchant in a town often buys his goods a full profit cheaper than his rivals do, so that he could sell to the majority of them at the same prices they pay, and make a fair living by it. One of the first things for a beginner to learn, therefore, is how to buy his goods. Generally too much reliance is placed on the salesman he buys from, or the regularity of prices in the house in which he buys.

If a man would consider the many processes most goods go through in the manufacture, and the risks they run in many ways of being in some degree more or less imperfectly made, he would not think it strange that goods seemingly the same are of different prices in different stores. Frequently some little difference of pattern or color, hardly noticeable, will increase the cost of manufacture five per cent, yet a manufacturer will take an order for a certain quantity of these, in connection with other styles, without any advance. While an order given by another wholesale dealer for the goods of increased cost alone will be charged the extra five per cent. If both dealers ask the same advance on their goods, one will be five per cent higher in price than the other.

One wholesale dealer may give an order for certain goods at a fixed price of—say \$1,00. Another, seeing the pattern, thinks that if he could get it a little inferior, so as to be able to sell it at a dollar, it would suit his trade better. The manufacturer is just as willing to make it a little lighter, or poorer in quality, and sell it at ninety

cents. It would take a "smart" man possibly to tell the difference between the goods, without having them side by side. Indeed, it is probable that sometimes there is no difference. The manufacturer took the order thinking he could make the difference by slighting the work a little, but found it so much trouble to reduce it just ten per cent, without reducing it still more, that he concluded subsequently to make it just the same as the previous goods; though he speaks of it as being inferior. Or, he may have purchased a lower priced raw material to make it of, which, on working, he finds to his own astonishment is just as good for this especial purpose as the higher priced was. These are cited only to show some of the many different ways by which variations will arise in the prices of goods, which are in the main similar.

A retailer should not always think it indicative of a desire to get higher profits therefore, if he finds these differences in different stores. It is his business to keep his eyes open, and buy where he finds the article cheapest. To do this, he must acquaint himself well with the qualities of goods. When he sees a piece of goods, or any article he would purchase, and hears the price asked for it, if he has seen it in another place, he must be able to remember where it was, what the price was, and whether it was really the same, or better or worse in quality. When he is called upon to decide upon the reasonableness in price of some new style or manufacture of goods, he must be able to compare it with other goods nearest like it, and know enough of the difference of cost in different goods, to be able to tell what price the new article should bear, by such comparison. If he desires to purchase, and thinks the price too high, but cannot find the goods lower, prudence would dictate buying lightly, until by additional supplies the price is brought down.

Sometimes, though, it occurs that the new article is relatively cheaper than the old with which he compares it, and he determines that it is so. A manufacturer will be induced, in some dull period, to take an order to manufacture some new style of goods, at a price which leaves him without adequate profit. This, coming into the hands of the wholesale dealer, is sold at the ordinary advance, in the supposition that though the manufacturer now grumbles, yet when more of the goods are really wanted, he will be willing to make them at the old price, and the wholesale dealer only finds out his mistake when he has nearly sold out the goods and desires to obtain more. In such cases as this last, the retailer, if satisfied that the article will prove saleable as well as cheap, would be justified in purchasing more freely. It is this ready decision in such cases, combined with a good memory of prices and qualities, and good taste, or rather a concord of taste with the community for which he purchases, that makes the good buyer.

A good rule in buying goods, is to get them the nearest possible to their source of growth or manufacture. On general principles, the fewer hands an article has passed through the less will be its price.

When, therefore, a retailer, accustomed to purchasing an article in one house, finds it in another, from which the first obtained it, it is good policy to buy it in the latter, even though the price is no cheaper. The retailer may not at first get the advantages in that house that the older customer, and probably larger buyer gets, but by and by, as he comes to be known as a regular customer, he has reason to expect that he will obtain them.

A shrewd buyer is ever keeping in mind the consideration as to how he may dispense with all the middle-men between himself and the manufacturer or producer. Even

when he has at last got into direct contact with these, in his buying, he is then still considering how he may further cheapen the article, by furnishing the raw material or other necessary to the producer.

Perhaps this subject is more important to the wholesale dealer, but it is a principle which can always be profitably borne in mind by the retailer too. Especially in the purchase of what are called the leading articles of the trade; of which large quantities, comparatively, are sold, and on which the profit is generally small.

Shall a retailer, in buying his goods, be so ungentlemanly as to beat down in price? Unhesitatingly, "Yes," if the seller requires that process before he will make the lowest prices on his goods. The fault is in the seller who puts on an extra price, to be abated by the beating down process of the buyer. If A has an article which he asks seventy-five cents for, when it is only worth seventy, and B wants it, and cannot find it anywhere else, and he has such knowledge of A's business practice as to believe that he will sell the article for seventy cents, if he cannot get the seventy-five cents, there is no good reason why B should not offer the seventy cents, and use all truthful arguments to induce A to sell it to him. And yet the habit of "beating down" is always a bad one for a buyer to get into; for so soon as a man is known to be one who always requires an abatement from the asked price, before he will buy, he finds enough wholesale dealers who are ready to meet him more than half way, and who pride themselves on getting a little better prices out of such men than from those who either pay the price asked, or decline to buy.

It often happens that a retailer wants an article to sell at a certain price, as one dollar, and to buy it so as to make, say fifteen cents profit. The wholesale dealer has

only one quality of the goods near that price, and for this he asks ninety cents, at which price it may be reasonable enough, but it does not afford the retailer a satisfactory profit. In such cases it is very proper for the purchaser to tell his desire, and ask if he can not be accommodated by a reduction in price to eighty-five cents. Such a reduction may be regarded as a favor, and not a strict business transaction.

There is no rule which can be adopted or given, which should govern a buyer in all cases. Some men are so avaricious that when they offer an article to a purchaser at a set price, say fifty cents, and the buyer takes it without remark, they think within themselves, "that was sold too cheap. He would have given fifty-five cents just as readily." In consequence, the next article they offer, they add on a little to the price. It will hardly do for a retailer to say "I will not trade with such men," for they may have the exclusive sale of goods which he can not profitably be without. The true course is to deal with them just so far only as one's interest is advanced. To give preference first, to those who sell their goods fairly, if they have the articles required.

A reasonable amount of suavity and politeness is as essential to a good buyer, as it is to a good salesman. If a man's manner is hard, imperious and domineering, characteristics which buyers sometimes like to assume, even when they are not natural to them, as if they were doing the seller a great favor in buying of him, they will find that concessions in price are rarely made to them, nor are the most desirable goods put forward when they inquire. Such are reserved for those who are friends as well as customers. Besides, wholesale dealers of the best class, who feel confident that their goods are reasonable in price, and many of them perhaps more reasonable than

can be generally obtained, are sometimes independent enough to resent such imperious airs, and are particularly non-complaisant to such customers, who are thus thrown off as it were, and forced to buy their goods in houses where for the sake of the extra profit they get, they can afford to meekly put up with an unpleasant customer. It is in this as in many other things. The degree of complaisance is measured by the profit made. Two and a half per cent profit—seller very independent; five per cent—a kindly nod of recognition; ten per cent—a low bow; twenty-five per cent—an obsequious deference.

A young country merchant coming to a large city to buy goods, met as he came off the steamboat, a wholesale dealer in tapes, buttons, etc., with whom he was slightly acquainted. As they walked up the street together, the citizen was especially earnest to carry a small satchel for the countryman, which the latter had in his hand. "I could not understand," said the countryman in telling me of it, "why he should press his services on me so repeatedly, seeing that the satchel was a light one, and I the younger and apparently stronger man, and therefore better able to carry it; but as we went by his store, he invited me in, and when I found that he asked about ten per cent more for his buttons than others did, I understood the reason for his extreme politeness."

Some buyers have a disagreeable practice of undervaluing goods they do not want to buy, which can not be commended. A salesman, with a desire to please them, or to bring to their notice some article which he considers especially noted for its beauty, quality or reasonableness in price, exhibits it, and the buyer not needing the goods, accompanies his refusal with some disparaging remark counter to the salesman's commendation. Such remarks are doubtless frequently made, to convey to the seller an

idea that the buyer will purchase anything if he will only offer it cheap enough, or if it is only handsome enough, and thus to induce him to offer some other goods cheaper, to try to effect a sale. But it is better for the buyer to decline to buy without assigning a reason, or to say candidly "it is cheap enough," or "very handsome, but I do not want to buy it." Instances are frequent where goods were purchased by the wholesale dealer, with the expectation that they would exactly suit some special customer. When the customer saw the goods, being uncertain whether he had any need of them, he made such disparaging remarks about them, that the wholesale dealer was fain to sell them the first opportunity at cost, and when in a day or two afterward the party for whom the goods were especially bought, having meanwhile looked over his stock, and concluded that he really required such goods, came back desirous of buying, he found to his mortification, that the goods were all sold, and could not be replaced. Such courses tend to destroy that friendly confidence which should exist between the buyer and seller, the loss of which is to the disadvantage of the buyer sometimes, as well as to the seller.

CHAPTER V.

OBTAINING CREDIT ON PURCHASES.

THE surest and most pleasant way for a retailer to obtain credit for such goods as he needs, is not to want the credit. If his business is so arranged and managed that he can make his living, and something over, without the necessity of asking for credit, and this is generally known—if he has any reputation for probity—he will soon have more goods offered to him on credit than he can use to advantage. Some men seem to regard credit as a thing they can create spontaneously—out of nothing; and hence use all sorts of schemes and devious plans to obtain it in the houses they wish to buy goods from. Whereas credit is as naturally a growth from mercantile confidence, as is the summer vegetation from the sun's warmth and the spring showers. And to endeavor to obtain credit without first establishing confidence would be as foolish as trying to make a shrub bloom in the absence of warmth and moisture. It could only be done at more expense than profit.

Mercantile confidence is largely founded on the belief that he in whom confidence is reposed is in no need of credit to insure his prosperity; that he has within himself all that is requisite for success, and is not dependent on the aid of others whose inability or unwillingness to further help him may cause his failure in business. One of the most efficient requisites in making a man thus self-sustaining is sufficient means or capital in his business or out of it, to enable him to bear such losses as may possibly occur in his business.

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Every man's experience teaches him that losses will occur; very often to the ignorant and improvident, and sometimes to the most prudent and careful; and if the loser has no means of his own, the loss must be sustained by others. Precisely in proportion to the limited amount of the loser's means is, therefore, the risk of loss in such cases to those who credit him. As prudence and care will frequently obviate a loss, or at least reduce its amount, the possession of these—or in other words, business talent which includes both with some other good qualities—is necessary in addition to capital, to create full confidence.

Beside the risk of real losses in the business, which one has to encounter who trusts a retailer, is the risk of dishonesty. The risk that the man will, for the purpose of cheating those who have trusted him, secrete his assets in some way, and claim to have lost them and be unable to pay. From my own experience I have the charity to believe that such cases are rarer than is generally thought. That the known cases of dishonesty are usually where a man who is in failing circumstances hides it from the world, and purchases goods, or having failed, unduly magnifies his losses and secretes his property, for the purpose of making a more favorable settlement for himself. It may be thought that the distinction is too finely drawn, and that both are alike swindlers; but at least the temptation is greater in the latter case than in the former, and the guilt is of all shades and degrees, from that of him who would mildly depreciate the value of his assets, to him who would secrete them all, while in the case of one who defrauds his creditors when he is not in danger of insolvency, the guilt is unqualified and absolute.

It does sometimes occur that a wholesale dealer, knowing intimately a young man, and having full confidence

in his business ability and honesty, is willing to entrust him with goods in entire absence of capital, relying solely on these qualities for security. But generally the goods so sold take the place of, and stand in lieu of capital, for though the buyer may and often does pay for them regularly at the expiration of the term of credit, yet he is in the meanwhile, from time to time, buying other goods to replace those sold, and has therefore a quantity of goods always on hand from that creditor of about the original amount. The wholesale dealer furnishes the capital, simply furnishing it in goods instead of money.

The absence of capital would ordinarily be taken as evincing a want of caution or prudence in one who proposes to commence business without any, or with a very inadequate amount, and no inference of the possibility of getting into business with insufficient means can be drawn from the few cases, which are much exaggerated, of persons who have been very successful, though originally commencing without means.

Successful men who have started with limited amounts of capital, sometimes like to boast of their success, though having had but fifty or a hundred dollars to start the world with. But when such cases are fully investigated, it is found that they had some kind friend behind them, who would furnish all the goods they needed on credit, and wait for payment till the goods were sold—a favorable connection which no one not especially befriended can expect to obtain.

Sufficient capital is therefore ordinarily the first requisite in creating confidence; when to this is added business ability, honesty, integrity, industry, prudence, economy and good health, the list is nearly complete.

What would be regarded as sufficient capital depends on the character of the business, the place where it is to be

carried on, and its extent or magnitude. This subject was discussed at length in the first chapter of this book, and if the reader has not made himself familiar with the conclusions there, in regard to the amount of capital, he is referred to that chapter again.

A retailer may have all the requisites above mentioned, however, and yet not be able to avail himself of them, to the extent he should in obtaining credit. It will therefore be my object to reveal what little of mystery there remains on the subject.

The first effort of the person wanting credit should be to bring to the knowledge of those from whom he seeks the credit, such circumstances as above mentioned, which tend to induce confidence. Sometimes even this is felt to be indelicate and unmanly. The man says, I have these qualities, which should induce confidence; my friends and acquaintances who have known me for years feel that confidence—in all my intercourse with them credit has been tendered me unsought, and it is degrading to my sense of self respect to have my worthiness in this matter again brought up for consideration. It is no doubt true that the man who does not need credit can have a more independent spirit, but there is nothing necessarily mean, cringing or contemptible in any retailer making known to the wholesale dealer, the amount of his capital, his former career, and the circumstances which tend to show his industrious habits, his prudence and economy, and his opportunities for obtaining a thorough knowledge of the business he proposes to engage in. It will naturally occur to any one who has sufficient sense to conduct a business that the other qualifications of honesty and integrity are more appropriately testified to by some one else than himself, though there is no harm in speaking modestly on these points in answer to direct questions. For

the ascertainment of these qualifications, and fuller confirmation of all others, reference may be made, and should always be tendered, even if not asked for, to such persons—friends or acquaintances as have known the applicant for a considerable time, and are willing to certify to them. If such persons reside at so great a distance that the party to grant the credit can not conveniently consult with them, it will be necessary to have their certification beforehand, in the form of letters of recommendation. Such reference or letters of recommendation must be to or from individuals known to the one who is to grant the credit, either personally or by reputation, as capable of judging of a man's character and business ability, and known to be honest enough to state the facts truly. When the applicant's references are unknown either in person or by reputation to the parties from whom he solicits credit, his chances of obtaining it are much lessened. Still something may be done by obtaining the endorsement of a fourth party known to the giver of credit, and who though not personally acquainted with the applicant, yet knows those who testify to his commercial standing. Such an endorsement would probably take some such form as follows:

To A—, B— & Co., New York:

Gentlemen :—Although not personally acquainted with C— D—, the bearer of this, (from the adjoining county of Jackson,) yet Messrs. E— and F—, who recommend him, I know intimately. They are not men who are likely to be deceived in estimating a man's business character, and on such assurances as they give of the bearer's integrity and business capacity, I would have no hesitation, were I in business, of giving him credit to a reasonable amount, say one thousand dollars.

G— H—, Banker,
Van Buren, Ark.

It may be well to remark that no person should be mentioned as a reference in such cases unless first spoken to, and his consent obtained. If, in an emergency, some person is named as reference, whose consent to act as such has not been previously obtained, which may sometimes happen, it should always be mentioned to the party from whom the credit is solicited. This is very often done, after a man has been in business and established a credit at a few houses. In purchasing in another house, and giving such statements of capital as may be necessary, and a name or two for reference, the buyer may say, "I also buy goods of J— & Co., and E. R— & Co.; I have never asked permission to refer to them, but have no objection to your enquiring concerning me from them." If such houses choose to withhold information when called on, the buyer is not prejudiced thereby, which he would be, were those to whom he specially referred disinclined to give information.

One of the pleasantest methods of obtaining credit, is through the favorable introduction of some other dealer of established standing and reputation. When the introducer is a man of just the right stamp, in good credit himself, frank, open and sympathetic, the beginner's path is a very pleasant one, and but few difficulties will lie in the way. But this method is open to many risks. The man who pretends to be our friend may be so only in appearance, or, if truly so to-day, may not be so next year. He may be jealous of a rival in business in the beginner; or be one of those envious souls who, while friendly to a man's face, are pained to see his success. There are, unfortunately, too many people in the world who act so as confirm the truth of Rochefoucault's diabolic remark, "that there is something in the misfortunes of our friends

that always pleases us." Such men, after they have introduced another to credit in a house, have privately so much to say about the necessity of caution, so many "ifs" and "buts," that they more than neutralize all the good they have done, and the giver of credit, though he may choose to send the goods purchased at the time, is indisposed to renew the credit, unless he can obtain some more satisfactory assurances. And in so deciding does just what the false friend desires. The person he introduced gets the goods then purchased, and feels under great obligation to him for the introduction, while his credit is really injured by such an introduction.

Even when the introducing merchant means well, and has a friendly intent at the time, the influence which he has over the new dealer's credit in the houses he introduced him in, is greater than is desirable. In case of a change of feeling towards his friend, from rivalry in business, or other cause, he has it in his power to do a great injury, and this even after two or three years have passed by. The wholesale dealer is very likely to consult with the original introducer of a customer, from time to time, afterward, and ask how the person introduced is succeeding, naturally believing that the friendship which was shown in the introduction still continues. It only needs innuendoes and hints of evil omen to seriously weaken any credit when newly established.

A man who obtains credit by his own address, and statements and references, gets more within the affections of the party who gives it, and has less to fear from the ill-natured remarks of rival dealers. If such be asked their opinion of the man's prospects, and they speak disparagingly, allowance is made for envious or jealous feeling which may possibly influence the unfavorable testimony; while in the former case the wholesale dealer is inclined to be-

lieve that the new dealer's position and prospects are even worse than his supposed friend hints.

Another disadvantage of an introduction by a friendly dealer is that the party introduced is likely to have his credit and standing depressed by any circumstances which may weaken the credit of the party introducing him.

Doubtless the disposition to this influence has originated from the close relations that often exist between the two persons in such cases. As when an old merchant introduces one who has been many years in his employment; if the old merchant should subsequently fail, an inference might be drawn that the younger one had not obtained his business knowledge in a good school.

When a man finds himself thus affected in credit, by the discredit of another with whom he has friendly associations, it is wise to broach the subject at once to his creditors, and show them as he best can that the influences which brought down his friend are in no danger of undermining his prosperity. He may with great propriety refer also to the inducing causes of his friend's failure—such as too extensive credit, too heavy expenses, buying too freely, etc., and to any caution that may have been given by him, which, if heeded, would have prevented the unfavorable result; and thus show that he was fully awake to the danger that befell his friend.

To so great an extent does the habit prevail among wholesale houses, of connecting together acquaintances and dealers from one locality, that sometimes nationalities, special names, or all the residents of a State, are separately placed under the ban of distrust, and refused credit because the wholesale dealer having met with so many losses from the class, distrusts all of them. One will not sell any more to Jews, another distrusts all Irishmen, and a third is suspicious of all Frenchmen.

An anecdote, current about 1842, after the commercial troubles of 1836 and 1840, illustrates this disposition in the extreme. A wholesale house in New York city had met with so many losses from Michigan customers, as they tried different ones season after season, that their patience was exhausted, when one day a countryman called in their place of business and desired to look at some goods. "For what part of the country do you buy?" was the natural query in a cheerful tone. "For Michigan," the response. "*Michigan!*" echoes the jobber, and with changed features and voice, "I do not sell goods to Michigan." "Oh," says Michigan man, "I don't want credit. I've got the money to pay for what I buy." "I don't care if you have, you can't buy goods in my store, I have been cheated so by everybody I sold goods to from Michigan, that even if you bought for cash I should get swindled some way in the operation!"

Men who disburse credits are not always governed by reason in giving them. A merchant doing a large business in New York city, whose credits amounted to millions in a year, told me that he always looked with suspicion on any applicant for credit of the name of D— or S—, (very common family names.) He admitted that it was an unreasonable prejudice, arising only from having been grossly cheated two or three times by persons of these names, "but," said he, "I cannot help it. The introduction of any person of either of the names brings to recollection the swindlers that cheated me before, and for the time I seem to lose faith in human nature, and am disposed to make very severe terms with the applicant."

A retailer seeking credit cannot expect to know all the whims and prejudices of those from whom he seeks it. But such of them as may be general, as connected with

his nationality or the region from which he comes, or where he contemplates doing business, or his opinions as his politics or religion, if of a kind likely to prejudice people against him, are better brought up for consideration at once; and if the party from whom the credit is solicited shows any tenderness on that score, have the matter fully discussed, rather than leave it to rankle in the creditor's mind. Whims and prejudices of this kind only need to be dispassionately discussed and brought to the light, to be shorn of all influence. In truth, we are so constituted as to take rather firmer hold of any acquaintance or project which we were at first prejudiced against, after we see clearly that our objections were unfounded prejudices. A sense of justice induces us to be more liberal toward such, to compensate for the injustice first done them.

The applicant for credit must be guarded against an over confidence in the mercantile standing of the retailer who is introducing him to credit. It sometimes happens that retailers have a good local reputation for standing and credit, which is not maintained in the quarters where they purchase their goods. Personal or family pride may induce a man to be upright and prompt in all his trivial business transactions at home, whereby he obtains a good standing there, while on account of repeated failures to meet his bills at maturity, and other unbusiness-like doings in the place where he buys, his credit is poor.

It is therefore of more consequence to the applicant for credit, that the person who introduces him is in good credit in the houses in which he is introducing him, than that he is simply in good standing at home.

It will always be prudent for a beginner—when so introduced—to take the first opportunity of finding out exactly how his introducer's credit stands in that house.

Sometimes the members of the house approach the new customer with enquiries, made indirectly, about the business of the one who introduced him. This may be regarded as an additional hint or admonition to be on his guard in relation to his introducer's credit, at least to enquire about it.

The recollection of several cases in my own experience where persons were introduced by men in doubtful standing, and on that account were long in obtaining the credit they really deserved, induces me to dwell somewhat at length on this subject.

One instance, in particular, is recollected, where the beginner had been a clerk for the person introducing him, and was distantly related to him. His employer and relative was doing a large and apparently prosperous business in a western city, and was regarded at home by his clerks and acquaintances, as in a flourishing condition and in the best of credit. He was, however, known in New York by those who sold him goods on credit, to be a careless purchaser, ignorant to a great extent of the values and peculiar details of many of the goods he dealt in, and so uncertain in making his payments, that half the time his notes had to be renewed, in consequence of all which his credit was weak.

The friend he introduced, who claimed to have less than half as much capital as he had, was very lukewarmly received. Credit was given to him in some houses on account of his paying a part cash, and the season following, in some instances this was refused, although he had paid promptly.

For a period of over a year the new dealer continued in a sort of despairing way, generally making his periodical visits to New York in company with his friend, and going around from store to store with him, availing him-

self of his friend's sheltering ægis, as he thought to his advantage.

I had sold him goods on credit, and found him always prompt in paying, well acquainted with the peculiar values and qualities of the articles he dealt in, and became satisfied that he could be successful as a retailer if he had a fair chance. Having grown somewhat intimate, he did not hesitate to disclose to me the difficulty he experienced in getting the limited but necessary credit for his business. Telling me that, on the present visit, parties who had before sold him goods and who had been promptly paid, had declined crediting him again. I told him what I believed to be the cause; that the friend introducing him, in whose company he so frequently was, was regarded as in a doubtful position, and this had its influence on his credit. And suggested to him that his chances for obtaining credit would be much increased by keeping aloof from this friend; and as he wanted credit in other houses, to refer rather to those who were crediting him, instead of relying on his friend's indorsement of character. The suggestion was acted upon, and thereafter he had no difficulty in getting the reasonable credit he needed, and in a few months, by his promptness in paying, he attained a standing in the market far better than that of his former employer.

Wholesale dealers sometimes require that the applicant for credit shall sign a written statement, setting forth specifically the amount of his assets and liabilities, and the character of the latter, whether "confidential" or "general," together with such other particulars as may be thought necessary to enable the giver of the credit to pass upon the responsibility of the applicant. Such a written statement is deemed particularly necessary

when the applicant is suspiciously in doubt about the amount of his assets and liabilities. Guessing and supposing at amounts that he should be able to give accurately, and the written statement is therefore required to bring the confused verbal statements to exactness. The applicant "guesses" his stock of goods is worth about \$10,000; "thinks" he owes about \$3,500, and "supposes" about a quarter of that is borrowed money, and "confidential." But when these amounts are written down as a specific statement of his affairs for him to sign, and make a basis for the credit to be given him, he needs to modify them considerably. Or, as is frequently the case with such men, he begins to bluster about "never having been called on to sign any statement before, and won't do it now." Sometimes, with more shrewdness, he may sign, but takes care to buy no goods in that house, lest if he did and did not pay, he might have to stand a trial for obtaining goods on "false pretenses."

Ordinarily a request to sign a written statement, upon the character of which the credit is proposed to be granted, evinces a want of faith in the verbal statement. No man would care for a written statement in such cases, if he was sure that the oral statement is true, as it does not add a particle to the applicant's ability to pay. It is only when he thinks that the oral statement is possibly false, that he requires it in writing. His reasoning is this: if the statement is true the applicant *can* pay the debt; if it is false he *must* pay or encounter the risk of a criminal prosecution for "false pretenses."

The creditor's reliance is in part the same that money lenders are said to sometimes depend on when a borrower forges an endorsement on his note which they discount. They have well grounded reasons for believing that the endorsement is a forgery, but so long as the

drawer has a family or social position to be sacrificed by the disclosure of his crime, he has the greatest of all inducements to conceal the forgery by the prompt payment of the note.

Every person soliciting credit should therefore be very cautious about the verbal statements he makes, that they are the unexaggerated truths, and which, if circumstances require it, he can put his name to, and buy goods, conscientiously satisfied that he is not deceiving those who are crediting him. And yet even with such care, the frequent adoption of this method by a seeker after credit is not advisable, as the habitual use of it will not confirm his honorable standing among dealers. I shall not say he ought never to put his name to a statement of this character, because circumstances might occur that would render it advisable to re-establish a credit, if not to obtain one at the outset. Some independent readers may not coincide with this remark, and think that an honest man should never so demean himself for the sake of getting goods; that he had better go out of business than to so humiliate himself. But it is easy to believe that we would act very independently on particular occasions, though when the trial comes we are governed by the same influences as others, and act pretty much as others do. Suppose a case of a business man in good standing and character at home, in business for years, and with an honorable pride in his commercial and social standing, finding on coming to market to make his season's purchases, that exaggerated rumors of heavy losses having befallen him, through endorsing for some friend, had preceded him, and were current among those who had credited him. And this induced a general refusal to renew credit, and he could not obtain the goods he required for his trade, even after the most thorough explanations, and

assertions of his continued responsibility, while a written statement, which if untrue, would hold him criminally, might be all sufficient to restore confidence. The man is placed in the dilemma that he must either give this statement or go home without goods, and not only betray to his friends and neighbors at home his mortification, but perhaps really be made insolvent by the breaking up of his business. Will it be derogatory to his reputation to give such a written statement, if thereby he obtains the goods he needs for his business, continues to pay his debts, lives down the unfavorable rumor, and retains the esteem and confidence of those around him?

Such humiliations all are subject to, more or less, that depend largely upon credit in obtaining goods or money to prosecute their business. The good book saith nothing more truly than that the "borrower shall be servant to the lender." The possibility of such mortifications should be an additional reason for arranging a business on such a basis that extensive credit will not be needed.

When a written statement has to be given, it is not only essential that it be true according to the idea of the signer, but that it is true according to the technical or business meaning of the words used. The full import of these should be clearly understood by the signer.

A young man about commencing business told the writer in answer to questions asked with reference to a credit, that he had \$5,000 capital, \$3,000 his own, and \$2,000 borrowed from his father. I asked him if the \$2,000 borrowed was at the risk of the business. He said it was. But in a further conversation with him in relation to his father's means of living and his ability to bear the loss of the two thousand dollars in case the business was not successful, with a view to test his disposition, about this sum in the event of failure; he remarked that

"his father did not risk much, as of course he would be paid if no one else was." As this did not accord with his statement that the \$2,000 was at the risk of the business, I asked an explanation, and then found that the young man's idea of "at the risk of the business," was that his father had no security for the money, and if he lost all and could not pay him, his father would have to bear the loss, and would not hold it as a debt against him. When I explained to him that "at the risk of the business" meant in commercial parlance, to be at hazard till all the other debts were paid, and that on such a statement as he had made me, he would be bound to pay everybody else before he paid his father, he seemed quite surprised "as if anybody could suppose that a man would pay others and leave his own father to suffer!"

I have quite often known persons to include and call "capital" in business, certain sums which were borrowed, and which were considered as the most "confidential" of any debt the dealer could make. When the so-called capital is made up in this way, it would be not only morally wrong to call it capital, if not at the risk of the business, but without explanation of the circumstances, it would render the person liable in case of failure, to prosecution and punishment. As the technical mercantile meaning of "capital" is the fund that is ultimately liable for the payment of all the contracts and agreements of the business.

Therefore, if a man states that he has \$10,000 "capital," he virtually says that he has \$10,000, which stands as security for the general obligations he may incur. Part or all of this \$10,000 may be borrowed if it stands "at the risk of the business," as his own means does. But if it is understood between him and the lender, or *if it is his intention*, that in case of difficulties occurring

in the business, the loan shall be made confidential and paid before other debts, the position is entirely reversed. The debts which the dealer creates in purchasing goods, really become a security for the payment of this so-called "capital," instead of the capital being security for the debts.

The prevailing disposition which most dealers have to magnify their capital, and the frequent miscomprehensions of the term, which I have noticed, induces me to dwell somewhat at length on this subject. The inculcations on this point may serve to illustrate for all others, the necessity of fully understanding all the phrases and technical words in use in business.

A distinction may seem to have been drawn between a false *oral* and a false *written* statement, which does not exist. Both are alike censurable and punishable. The difference mainly is, that the oral statement of facts is generally qualified by words or phrases, which to make more definite are left out in writing. A man who does not really know what the amount of his liabilities are, may say "I do not think they will exceed \$5,000." This is very different from the definiteness of a written statement which says, "my liabilities do not exceed \$5,000." One asserts an opinion merely, the other a fact.

Confidence in one's own ability to conduct a business undertaking prosperously, is of great advantage in obtaining credit. If the applicant speaks doubtfully or hesitatingly of his prospects, he can not expect that the wholesale dealer of whom he is asking credit will be encouraged to have confidence in the enterprise. A strong faith in ultimate success generally infuses additional life and energy into the work, and hence it is more likely to prosper than when it is prosecuted with doubt and hes-

itation. One man will look at an undertaking and say "I don't believe that it will succeed, but I will try it and do my best; if I fail the fault shall not be mine." Another, looking at a similar enterprise says, "I know this scheme will work, and I can accomplish its success." It is not difficult to understand, that of the two men starting in business with these different ideas, the last will get credit for the necessities of the undertaking where the first could not. The sanguine man infuses some of his spirit into the mind of him whom he asks to trust him, and to some extent influences his decision in his favor. While the influence of the presager of misfortune is just the reverse, and really tends to take away any disposition to confidence which is in the mind of the person granting credit.

This confidence in one's success should be a well grounded one, and not the swaggering and empty boast of ignorance, which on being questioned soon betrays itself. It can be felt only when a person has so fully canvassed all the risks and contingencies to which his enterprise will be subjected, that he is prepared to confute every doubt which may be thrown upon it.

It is always well to have the subject of credit settled at once, so soon as the dealer decides that the wholesale house has the goods he wants to buy, and not to postpone the subject day after day, as if he feared to undergo the ordeal, or was waiting to have the subject broached by the wholesale dealer and the credit tendered to him. Such hesitation gives the wholesale dealer an unfavorable impression, inducing him to regard the party as one who has not confidence in his own merits.

CHAPTER VI.

EXAMINATION, MARKING AND ARRANGING OF GOODS.

AFTER the goods are received in store, the first thing to be done will be to thoroughly examine them, to see that each article corresponds in quantity with the amount charged in the invoices, and that there are none of them damaged. Also to notice that they are the same goods, corresponding in prices and qualities with the samples shown at the time of purchasing, and also that the quantities are the same as were purchased, neither more nor less.

Such examinations are very necessary, not solely because of the danger of fraud or deception on the part of the wholesale dealer or his clerks, but to guard against unintentional differences or mistakes, though sometimes necessary to protect against the former.

Goods are liable to abstraction from the packages while in the carriers' hands, and are at all times more or less exposed to be stolen, so that a habit of examination and frequent inspection, even after they are in store, is necessary to guard against such losses, or rather to detect the loss at an early period, so as to adopt means to recover the goods and punish the thief. But more especially is this examination required when the goods first come into the retailer's hands, before they are exposed for sale, so that if anything be missing it may clearly appear that it was either never sent or abstracted before it came into his possession. When goods are missing it is of the utmost consequence to know whether they were

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omitted in packing by the wholesale dealer, or were abstracted while in possession of the carrier. As recourse must be had to the one or the other to make good the loss according to the place where it occurred.

In this respect, it is very necessary to observe carefully the outside condition of the packages or cases, before they are opened, to see if they present the appearance of having been tampered with; and also, immediately when opened, to notice if the goods seem in disorder, as they will probably be if a part of the contents of the package or case has been stolen. If a package presents evidence of this character, it is well to call some disinterested person to notice its appearance, and to aid in the examination of such case or parcel, who can testify to the quantity of goods remaining in the case or parcel, if necessary. And if the carrier or his agents are not too distant, and the goods are valuable, it may be well to call their attention to it beforehand.

Any deficiencies in quantity, variations in price or quality, or damages found on the goods, as rents, stains or the like, should be immediately reported to the wholesale dealer, giving a full description of the character and amount of the damage or claim made, and the deduction required therefor. Whenever possible, a sample showing the character of the damage should accompany the notice, and when it is an error in price, such a sample is especially necessary, to show that the retailer has not mistaken one lot of goods on the invoice for another of different price.

A retailer should always make it a point to give early notice of any claim for reduction he may have, and not leave such, as is too often the case, until the bill is due, three or four months afterward. By an early notice he

gives the wholesale dealer an opportunity to make a reclamation on the person from whom he obtained the goods. Courtesy requires that a notice of a claim should mention sufficient of the circumstances to enable the wholesale dealer to pass judgment himself on the propriety and reasonableness of the amount claimed.

Even when the missing goods appear to have been abstracted while in the carrier's hands, it is well to give notice of the fact to the wholesale dealer. His evidence, or that of his employees, may be necessary to satisfy the carrier that the missing goods were really shipped with the others which were received.

The goods having been thoroughly examined, as mentioned, should then be carefully marked with the full cost and selling price before being placed on sale.

The cost and selling price may be in characters of any form or style, each one representing a numeral, or they may be letters of the alphabet. The first ten, last ten, or intermediate letters, being taken to represent the numerals. Sometimes a word having ten letters is used for such purpose, each letter representing a numeral, as "Cumberland," "Perth Amboy," "republican," and many others. A very convenient cost mark is a combination of figures which takes the form of a number on the goods, serving both to indicate the cost and selling price, and to identify the goods by. For instance, if a unit is added to each figure of the cost, the prices 10, 22, 45 and 115, would be respectively represented by numbers 21, 33, 56 and 226. Or to the first figure of the cost one may be added, to the next two, and so on. If more complexity be desired, a "dummy" figure can be inserted, which is not counted, which may be placed first, second or last, as may be decided on. Placed second, the above numbers might

be read 241, 363, 516, 2426, still representing the prices as above. A little custom in reading a mark of this character, will make it as familiar and intelligible as the ordinary numerals of the invoice. Inquiries are often necessary to be made by a salesman of the proprietor, in reference to some article while being exhibited to a customer, which inquiry can only be answered by a knowledge of the cost of the goods. It is a much less objectionable way of referring to the cost, by saying that it is number 56, than to say it cost BC. For identification of the goods, this cost number may be used in every entry of them, when sold on credit.

The marked cost on the goods should be not only the "prime" cost of the invoice, but should include the expenses of purchase, freight and incidental charges up to the time the goods are brought into the dealer's warehouse, and the rate of exchange. All these additions, technically called "charges," are sometimes so trivial when the retailer resides near the place of purchase, that he does not consider them in marking the cost of the goods, but suffers these items to go into the general account of the expenses of the business. I can but regard this as objectionable, whenever these charges are great enough to form a calculable sum. This sum, of course, will vary according to distance and means of travelling for the expense of purchase, the distance and bulk of the goods as compared with their value for the freight, and the character of the currency in use at the two places of buying and selling, for the rate of exchange. Whatever they may amount to, whether one, two, five or twenty per cent on the invoice cost, they should take their proper place in the economy of the business, by being added to the price of the goods, and not be allowed to swell up the yearly expenses.

The usual custom is to average these expenses, and apply the average advance on all things indiscriminately, which may answer well as a general rule. But there are some kinds of business wherein it would not answer, and special calculations have to be made for certain articles. If a retailer of hardware lives at such a distance from the entrepot where he purchases his goods, that it costs him one dollar per hundred weight for freight, he could not safely average this freight alike on woodscrews, cutlery, and other comparatively light articles, and on cut nails. The freight alone would be probably five per cent on cost in one case, and twenty-five on cost in the other. So in a business of drugs and medicines. Dye stuffs which are often a part of such a business, are many of them very bulky in proportion to their value, and would require a different rating. A retailer might make an average of this kind, and in the absence of competition receive no injury thereby. As, if he sells some things too low, he would sell others equally too high, and would come out even in the end. But if he has any competition his customers will only buy those articles he sells low, and will go to his rivals for those he sells too high, so that his trade would soon all be in articles on which he makes no profit.

The true cost of the goods being thus ascertained, the next consideration will be the profit, or advance to be made as the selling price. The general rule for this is to add enough to cover the expenses of the business, such as store rent, clerk hire, compensation to the principal—for living or household expenses—probable losses by deterioration, bad debts, etc., and besides all this, sufficient to leave an adequate net profit to the proprietor for the capital invested.

Ordinarily the selling price is controlled by the prices

of rival dealers, but it would not do to let these govern entirely. For a rival might in sheer ignorance sell many articles less than actual cost. When that is found to be the case, there is no good policy in following his lead. It would be better to dispense with the goods, until the rival has found out his mistake, or gone out of business. Generally the business career of such men is brief. Even, therefore, though a beginner may regard the prices at which he will sell his goods, so well established by rival dealers, that he expects to be governed by them, he ought still to keep before him the principles on which profits are founded, so that he may from season to season review his course, and see whether by leaving off some articles which are unprofitable, and adding others which may be more profitable he cannot increase the net gains of his business.

If the beginner has duly considered the question of expenses, as suggested in the second chapter of this book, that much will be settled. The probable losses by bad debts and depreciation on stock must be estimated. Both these subjects are too extensive to discuss in this connection, and will be treated of in future chapters, specially devoted to each, to which the reader is referred. When all these expenditures and losses are estimated, there only remains to make a calculation of the gross profit, or advance on the goods, which must be obtained in selling them.

For example, suppose the fair expectation be of selling \$20,000 per annum. The estimate for private and store expenses of all kinds \$2,500, losses by bad debts and depreciation on goods \$500, the reasonable net profits over everything—expenses and losses—as the annual gain to the proprietor \$1,000. Thus making a sum of \$4,000 to be made on sales of \$20,000. The cost of the goods sold

would therefore be \$16,000, and it would require a gross profit of twenty-five per cent to be marked on the goods.

How this profit of twenty-five per cent is to be averaged on the goods will depend very much on the competition. General principles of instruction can only be given. Such articles as are in daily demand in considerable quantities, with small risk of depreciation, are properly sold at less profit than those in rare demand, or on which the risk of depreciation is great. Some very conscientious men hold to the opinion that a retailer should never discriminate in this way, but should sell all kinds or classes of goods at the same advance; there being in their mind a species of deception in selling what are called leading articles at less advance, and making up the profit to the average by increasing prices on other goods. There appears to me, however, good reasons why there should be even large differences in the rate of profit on the different kinds of goods a retailer keeps, independent of the competition which may often induce these different rates. Goods of a perishable nature, on which there is a risk of spoiling or deteriorating—those in which fashion or style makes a large part of the value, and which a change of fashion would make less valuable—those which are seldom wanted, or wanted for only a short season in the year, as the interest on the amount of stock kept in proportion to the amount annually sold, is greater than on those of daily sale—those that are wanted only in small quantities at a time—those in which there is much risk of breaking or wasting in handling—and those which require much time and trouble in their purchase, management in store and selling, out of proportion to their intrinsic value—should all evidently command a profit beyond what articles of an opposite character do. And the increase should be fully adequate to compensate for

the increased risk, interest, time employed and labor in buying, storing and vending them.

In averaging the amount of profit to be made on the different kinds of goods, as above, notice must be taken of the different proportions that will probably be sold of each kind. It will not be enough that a stock of goods, newly laid in to start a business with, are so accurately averaged in the selling price, that when all are sold they will have just yielded the twenty-five per cent profit.

If, for instance, of a stock of \$6,000 laid in for a business, \$1,000 is marked at an advance of ten per cent, \$1,000 at twenty per cent, \$2,000 at twenty-five per cent, \$1,000 at thirty per cent and \$1,000 at forty per cent, the whole when sold will average twenty-five per cent. But it is almost a certainty that the first \$2,000 worth of goods sold would not be at a profit of over twenty per cent. By this time, probably, the stock would require replenishing, mainly in the goods paying ten per cent profit. So that the next \$2,000 sold out again would only yield twenty per cent profit. And this would be continued the year through, and the retailer would find when the year came round and he took account of his stock, that for some unaccountable reason his profits were not forthcoming.

This is a very essential matter to keep in mind, and be well understood. Losses in this way oftenest occur with those who undertake to sell leading articles at very little profit. These are the goods they sell most of, and which need most frequent replenishing. It is a difficulty which is very apt to overtake young beginners. With a desire to make some excitement when they first open, they put down the prices of their leading articles, below the prices current among their neighbors. They think to make up for this by greater economy in expenses, but

soon find that to sustain themselves they must make a fair average profit, and so they put an extra price on such goods as are not of so frequent sale.

This may work for a while, perhaps for a year, and the success of the year's business seems to warrant a continuance of the method. But by and by the customers find out that that house is a good one only to buy leading articles in, which they get there, but as they want other things they go back to the old places. So that the second year the dealer's business is mainly in these leading articles which he has been selling without adequate profit, and the result of the year's business is a loss.

An excellent proof of the sufficiency of the profits is to make an occasional day's record of them on all the goods sold, say once a month. This test will show the proportions of the sale of each kind of goods, or rather, perhaps, the average of all the kinds. To be of any value the account should be taken carefully, which it may easily be, by a system of making a ticket for each sale, on which is pencilled the quantity and price of the articles sold, with the cost mark on the margin. There is no great difficulty in making such a record every day, though it takes some time to count up the profit on a day's sale; perhaps more than is profitable.

When such a periodical account of profits is taken, the proprietor should be careful that it is a fair criterion, as where many salesmen are retained, there arises sometimes a rivalry among them as to whose profits shall be the greatest for the day, and they make special efforts to sell the goods that yield the largest profits, and may thus mislead the proprietor.

When the full cost and selling price of the articles is settled upon, it may be very appropriately noted with a pencil on the original bill or invoice, on the margin or

line of the description of the article, as a permanent memorandum, then the article itself marked before being laid away in its place. Much of the neatness of appearance of a stock of goods will depend upon how this is done. The mark should be so permanent that it will not readily be lost or rubbed off; so prominent and so uniformly in one position on the same class of articles that it can be readily found by the proprietor and his clerks; so clear and definite that it will not be mistaken; and withal so inconspicuous that it does not readily attract the notice of the buyer.

Uniformity of location and intelligibility or clearness of the mark are very essential. It looks very unbusiness-like to see a salesman when waiting on a customer, turning an article exhibited from side to side and end to end, searching for the "mark;" or having found it, scrutinizing it in all possible lights in the effort to decipher it; perhaps calling a fellow clerk to help decide whether a certain figure is a 3 or a 5, or some equally obscure matter, while all this time the customer stands or sits impatient to depart.

Small articles, which when examined by the customer must necessarily be taken from the box or package in which they are kept, and which are thence liable to be mistaken for others of a different price, should each be separately marked. This can easily be done by attaching a gum ticket, or sewing on (if the article admits of it) a small card or tag, on which the mark is written; and which uniformly placed in one position will be readily found, and will not be injurious to the goods, as marks made directly on them sometimes are.

It facilitates the dispatch of business, also, to have the papers or boxes in which such goods are kept so marked on the end exposed to view, with the name of the article

and the cost and selling price, that the character of the contents may be readily known, and so that in case all the articles get taken out in exhibiting them, each kind may readily be returned to the proper receptacle. Every box or package has its peculiar ear mark to the attentive salesman, by which in part he recognizes it and knows its contents, and any carelessness in unnecessarily changing them will tend to confusion.

In attaching tags for the reception of the price mark on goods that come in pairs, like gloves, hosiery, suspenders, etc., advantage can be taken of the opportunity to stitch the pairs more firmly together in sewing the tag on, so that they will withstand the ordinary handling to which they are exposed when offered for sale. This subject, however, brings us to the other branch of this chapter—arranging the goods in the store-room for sale.

It will be impossible within the limits that should be appropriated to this subject, to give all the minute details of the various things to be done in arranging and placing in proper selling condition an ordinary stock of dry goods, much less the details of other kinds of business, even if the writer was sufficiently well acquainted with them to do it. The most he can undertake to do will be to mention some of the evil results following from a neglect of this duty, and direct the reader in the management of a few articles, as illustrations of the general arrangement.

During a period of twenty-five years' experience in business, it has frequently been the author's duty to investigate the affairs of bankrupt retailers, and to examine thoroughly their stocks of goods. Almost invariably has he found such stocks in disorder. Frequently one-eighth to one-fourth of the goods without any mark on to indi-

cate the cost or selling price, and the proprietor under the necessity of asking the clerks, and the clerks "guessing" that it is so much. The goods exposed that should have been protected in wrappers or drawers, and soiled or faded, and on that account of nominal value. Hosiery and such like articles as come in pairs, separated, and many unmatched. No place for anything, and apparently everything out of place. So universally has that been the case, that disorders of this kind in business are now naturally coupled with unthriftiness, if not with actual insolvency.

Order in the arrangement of goods for sale in a store-room, is of quite as much consequence to the profitable prosecution of the business—though the casual reader may not think so—as it is to the manufacturer or agriculturist. A customer that is detained waiting while the salesman hunts for some particular piece of goods which is misplaced, or for a mate to a glove or stocking which he or she has selected, is not likely to have a high opinion of the business qualifications of the proprietor of the establishment, and therefore has not much reliance on his ability to sell his goods cheap, or confidence in his taste or judgment. When such opinions become general among a dealer's customers, his prestige is gone, and he might as well shut up shop.

As to the details of arrangement—referring to the preceding remarks about firmly connecting all articles that are sold in pairs or sets, I would mention the advantage of having folded goods, as cloths and many kinds of dress goods, rolled on boards. Within the last few years many kinds of goods are put up in this form by the manufacturer, though some still come folded, but they are more conveniently handled and shown, and more easily protected from damage when rolled on boards. Small covers

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of holland or muslin with tape strings, to cover such as are peculiarly liable to injury by exposure, are valuable. Buttons, and other similar articles that come sewed on cards, which when cut the threads loosen and the articles drop off and are lost, are readily retained by taking a piece of common wrapping paper, gumming it well on one side, and pressing it down tightly on the back of the card. It adheres to the threads at all points, and the card can be cut in any way necessary without loosing the threads. Colored sewing silks, braids and other such articles liable to be entangled, should be assorted, and each color rolled up separately in a piece of paper, leaving a small part of the end of the skein to show. The precise shade may thus be selected to match any color, and only the roll opened that is required. Sample cards often much facilitate the transaction of business. A customer can select from a dozen styles of goods on a sample card much more readily than from a dozen separate parcels. Many goods can be more readily shown that way, especially such as are kept tied up, without the delay of opening all of them. Those only needing to be opened which seem nearest to suiting the customer. I have sometimes seen a customer leave a retail store, tired of waiting while some slow moving clerk was engaged in getting down from a top shelf and untying some article she had asked for, when with a sample card it might have been shown in a second.

In this fast age time is money, if it never was before, and a retailer should know that the sooner he can place any article asked for, before the customer, the greater is his chance of effecting a sale. Such sample cards, if left in a conspicuous place, also frequently serve to remind a customer of some article they want which would otherwise have been forgotten. When they are made up of

hosiery and such articles, they should be sold off frequently and replaced by fresh goods, as soiled or tarnished samples are worse than none. Goods should never be packed away, as out of season, without retaining full and ample samples of them with quantity and price, so that they may be referred to quickly if unexpectedly a call is made for them out of season. Many times goods are wanted to exactly match in color; and the salesman is expected to take just as much interest in trying to suit, though it may be only a trifling quantity that is wanted, as if he expected to make a large sale. Though he may know from his recollection that he has nothing that will match the color of the sample, if he simply says so, and turns to serve some other customer, his inability to match the sample is regarded rather as an unwillingness to give himself the trouble to look, and himself and the store incur the odium of being disobliging. This imputation could easily be avoided by the possession of a sample card, which would contain all the colors of the goods of that character. Its production, with the pertinent remark that he did not believe he could furnish the color, and giving the customer the opportunity of also seeing that there is nothing to match it, would be perfectly satisfactory. Another profit of them, is the ability to show with equal advantage, styles of goods which are a little old fashioned. These less desirable styles, being all on the same card with the newer styles, will frequently attract the notice of the customer, who for the purpose or use she intends making of them, would prefer them to the newer patterns. Whereas had the same goods been shown in bulk, it would only be after the others did not seem to be satisfactory; and even then, with some disparaging remark, as "here is an older style," or "a style which has not been so desirable, I do not know whether it will suit

you:" endeavoring by such remarks to palliate the force of objections which customers frequently make to being shown antiquated or inferior goods. Such language is of itself sufficient to, and generally does condemn the goods in the eyes of the customer, though if shown in connection with others on a sample card, they might have been selected in preference to the newer styles.

The last use of such sample cards I will speak of, is their convenience for keeping memorandums on of the quantities of the goods which may be in reserve. When quantities are bought at one time, all of one kind of goods, such as buttons, hosiery, etc., some memorandum is essential to keep the run of what is not brought forward on sale. And as they are brought on sale from time to time, this memorandum should be altered. By this means, the proprietor, on looking at the sample cards, can tell how many dozen or gross of each article is in reserve.

In the absence of such memorandums in some form, it will frequently occur that the package on sale of a style of goods is sold out, and it is not convenient at the moment to get another from the reserved stock; afterwards it is forgotten, and days and weeks pass by, before it is brought to light by a general revision of the stock; and when, perhaps, the season has nearly gone by for the sale of it; and there is in the end a loss on the article, though all hands concur in saying, it was just what they wanted all the season, but they thought there was no more of it to be had. A sample card on which a proper memorandum has been kept, would have been a constant reminder, and it would be known that there was yet some of it in the reserved stock.

By these lengthy remarks upon the advantages of sample cards in a retailer's business, I do not wish to be understood as advising that all goods should be sold by sam-

ple only, which can appropriately or conveniently be so exhibited, but to show the advantage of such an auxiliary to making sales from the parcel or piece itself.

When the goods are so arranged as to be readily shown to the customers, and so protected as not to be easily liable to damage from exposure to dust and light, it will be necessary to select special locations in the store-room for each separate kind of goods, so that so far as possible there shall be a place for every thing; which location being once established, the articles should be so uniformly kept there that those familiar with the store-room could find them in the dark, if necessary.

This arrangement has ordinarily in view only the bringing of such articles together in convenient proximity, as are likely to be sold in connection with each other, and placing those most frequently in demand in the most prominent positions. Very often the size of the apertures in the shelves is allowed to govern the greater part of this arrangement. The carpenter made the "round holes" and the "round pegs" are put in them, and in another place he made the "square holes" and the "square pegs" are put there.

But there are many kinds of goods that require to be so placed, that when shown, they shall be in the right light to appear well to the customers. To attain to the knowledge of what is a proper light, practical experiment is the only guide. Wherever the goods look best in the store-room, that is the location for them. The circumstances of each locality are different, it being hardly possible to find two store-rooms lighted exactly alike, with just the same character of surrounding objects to reflect the light into the interior. Consequently only general principles can be stated.

The general rule is, if the light is clear—not reflected from brick walls or glaring white houses, fences or awnings—the more you can have of it up to a certain point the better, but not the direct rays of the sun. The point to go to is just short of where the defects in the goods begin to show, and therefore, the more perfect the goods are, and the clearer their colors, the stronger can the light be. As the goods are less perfect in fabric and color, the light must be modified. A northern side light, free from reflected rays of the sun, is regarded as the best for most dry goods. This is especially a good light for any goods in which a fine lustre or gloss is essential to the value. A skylight is a good light to show bright colors under, but the direct rays of the sun must be shut out. Such a light, however, brings out very distinctly any imperfections of manufacture, unless much subdued by a shade.

Artists thoroughly appreciate the value of light and its varying influences on the beauty of the colors in a painting, as well as on the general effect of the painting. Its influence is as great in enhancing the beauty of many of the articles on a retailer's counter.

A store-room that receives its principal light from windows on which the sun does not shine at midday, and through which windows in the meanwhile no glaring or unpleasant reflections of light are thrown into the room, is considered the best to retail dry goods in, and such should be obtained if possible.

As it is not always possible to have a store-room lighted just as would be best, something can be done to modify the disadvantage of inferior lights. In modifying a light it is desirable to have an abundance of it. It is almost impossible to make any pleasant modification of the light in a dark and gloomy wareroom. Coloring red

brick walls or board fences which reflect an unpleasant tone of color, with some neutral wash of stone or bluish lead color, not too dark, where the same can be done, is of great benefit; when this can not be done, a shade at the top or bottom of the window to shut out part of the reflected light, may be adopted. These shades may be of such color as is found to harmonize best by actual experiment. Light blue shades generally produce a cooling effect, while those of buff or of a yellowish tinge impart a warmer tone and give a sunshiny appearance to the interior. Such shades, whether at side windows or under a skylight, should be so hung as to be readily opened to full length, or closed entirely as the clearness or obscurity of the day may require. They frequently need adjusting three or four times during the day. But there should never be an attempt at an adjustment of them while goods are being shown to a customer, as doing so gives rise to a suspicion that the goods will not bear the light; though no suspicion can be aroused by drawing up a shade so as to give more light on the goods, at any period while exhibiting them.

The subject of the best light in a wareroom, in which to exhibit certain goods, is always a matter for observation, study and experiment to the retailer. It changes and varies with the changing seasons, and is different at morning, midday and afternoon. The introduction of new shades of colors, and new fabrics also, may require experiment to show where they can be exhibited to the best advantage. If the proprietor takes the position of a customer looking at the article, he can soon learn which locations are the best and which to avoid.

Retailers sometimes err in endeavoring to modify the light of their warerooms by shutting too much of it out, and making their places too dark. This is even a greater

injury than too much light. It is not the absence of light they need, but the absence of unpleasantly reflected light. The colors of most goods require a considerable portion of light to display their tints to the best advantage, and when the wareroom is shrouded in gloom, the customer has either to purchase the goods half unseen, or to hold them up to the light of a window or door to perceive the quality and shade of color. The latter course is generally adopted, and thus all the advantage which was anticipated by darkening the store, is more than lost, as the goods are seen in one of the worst lights they could have been shown in. Besides, in the course of business, nothing is made by deceiving a customer with goods which will not bear the light.

Almost every person is susceptible to the genial influences of a cheerful and harmonious light in a room, storehouse, church or other place, which they may be in, while a sombre or a glaring and inharmonious light distracts the mind and oppresses the eyes, and we do not readily find ourselves pleased with any thing while in its presence. A shrewd retailer will recognize these influences, and try to so regulate the light in his store-room as to make an agreeable impression on his customers.

In concluding this chapter, I might say that there are a great many little matters of the kind mentioned herein—as the vendue handbills say—"too tedious to mention," which it is very desirable that the retailer should understand. Every branch of business has those peculiar to itself. They embrace what may be called the drudgery of the business, and though their general character is the same in all trade, they are as varying in the details as the goods themselves. Some articles require to be kept in an upper room, or other dry place; others in a cellar, or where it is damp; some must be kept closely shut up

from the air; others freely exposed to it. Some must not be too warm; others not too cold. It is not always that what may be called actual damage occurs by inattention to these matters, but the articles lose in appearance and finish; though oftentimes actual damage is sustained by neglecting such labors. And the reader's attention will be further drawn to this view of the subject in a subsequent chapter concerning losses in business.

It may be said that the experience of a few years will generally teach an observing and careful man what is necessary; though if the beginner has not had the advantages of a training in a well conducted establishment, it is worth the trouble and expense to get a clerk who is acquainted with all such details, and from him learn the methods to facilitate business which are approved of by the experience of other well appointed houses. He may have to pay liberally for such a clerk, but the engagement need not necessarily be a lengthy one. One year ought to be sufficient, and care should be taken in his employment, not only that he is experienced, but that his experience is of the right kind.

CHAPTER VII.

ON ADVERTISING A BUSINESS.

THE extent to which a business may be profitably published to the community by means of newspaper advertisements, circulars, handbills, etc., is a matter which has for many years received much attention and consideration, and about which their yet remains some diversity of opinion.

While it is patent to most people who have any business experience, that immense fortunes have been made solely through advertising some special article, by reason of which it had a sale far beyond what it would otherwise have had, it is to other persons equally well known that very large sums have been expended by scores of dealers, trading in equally meritorious articles, without any adequate return for the outlay.

I confess that my own experience in this matter has not given me sufficient wisdom to lay down specific rules which should govern in every particular case, or which a retailer ought to adopt in so important a matter, under all circumstances. I shall only give some general conclusions, which I have arrived at from my own experience, and from observation of the practices of others.

One conclusion is, that though general and indiscriminate advertising may succeed in cases of special articles which are patented, and competitors can not come in and reap a portion of the advantages attained by the advertising, yet for articles of ordinary traffic, where, when a trade has been obtained, others may compete with the

advertiser for the profits, it is an expenditure which requires as much consideration as the location of the place of business.

Much lies in the character of the article itself which is to be advertised. If it is the production of the advertiser, it is to a certain degree, even though not a patented article, exclusive to him. For though others may make just as good an article, they cannot use the advertiser's name and trade mark to sell their own manufacture. Or if the article advertised is of such variable and undetermined value that it is difficult to make comparisons of prices and qualities, such as ready made clothing, boots and shoes, etc., a sort of confined advantage can be obtained of the advertising, sufficiently great to warrant some outlay.

Again, even of these exclusive articles, something must be considered as to whether the article is so well and peculiarly adapted to supply a want in the community as that, when once introduced to notice, it will continue to be used in preference to other articles which it may supplant temporarily; or if the demand which it is intended to supply, is one common to a very large portion of the community, so that those who will buy the article only once to try it, make themselves a large trade for it; or if the person advertising has superior advantages in the production or purchase of the article, beyond what his competitors could have. In either case, if the profits, either present or prospective, on the article are sufficient to warrant the expense which will be incurred by a system of extensive advertising, the circumstances are such as will warrant a judicious outlay of money in disseminating the information of these facts among such as would be customers, either by newspaper advertisements, handbills, circulars, or all combined, as may seem

best fitted to reach that portion of the community to whom he looks for patronage. And if his goods have none of these special qualities, he will save his money and often his reputation by refraining from advertising.

Ordinarily a retailer of common and staple articles can not justly claim any great advantage over his competitors, in the prices or qualities of goods he offers, beyond what may lie in a larger capital, superior business capacity, some especial business connection whereby he obtains advantages in purchasing, or greater economy in living and store expenses, and either or all of these advantages are proper matters to publish. But when a dealer has none of these advantages, and unjustly claims them in advertising, the result is often injurious to his business, particularly in local or limited communities, wherein mainly the retailer trades. For so soon as a few members of the community ascertain the falsity of the statements he advertises, which they generally soon do, instead of furthering the ends of the retailer by spreading the lie, or even by silence, they rather endeavor to thwart his trickery by telling the truth, and warning their associates, frequently regarding it as an act of justice to go out of their way to do it. So that in the end the dealer sometimes does not get credit for the advantages he really may possess.

Independent of the foregoing considerations, it will be found advantageous to make some publication when a business is newly commenced, or upon the occurrence of any notable event, as an arrival of a renewed supply of articles suited to the coming season or period, the receipt of some special article which has been scarce and in demand, or a general reduction in the price of many articles, as sometimes occurs towards the close of a season.

The method adopted to give publicity must also be va-

ried to correspond with the different circumstances or conditions of the business, and also the extent of the publicity. As the two subjects are intimately connected and involved, they may be treated of together.

It should be sufficiently extensive to bring the information to the notice of all those likely to be customers, and as a general rule, it is better too much than too little. Meaning thereby that it will be better that three-fourths of the community of purchasers obtain the information a dozen times, if necessary, while bringing it once to the notice of the other fourth. One person reads the newspapers daily, and regularly notices among the events of the day the new advertisements. Another looks only occasionally—perhaps once a week—over the advertisements. The latter class must be provided for by a continuance of the advertisement as well as the former. While there is still another, and a large class, who seldom read the advertisements in a newspaper, and this class must be reached in some other way. If they are males to whose notice the information is to be brought, the handbill is a ready method; if females the circular. Often both can be appropriately used. In some localities these latter methods are more economical and more direct than newspaper advertisements to spread information among the limited community which a retailer has for his customers: in particular, small villages without a local paper, in the vicinity of a large city, where the villagers rely on the newspapers of the city for their daily news. Advertisements in such papers would be expensive in proportion to the extent of their circulation in the village, and probably not the one-thousandth part of the circulation would be of any advantage to the advertiser in his situation. The handbill permanently and conspicuously posted to meet the eye at every turn, and

the circular letter addressed directly to the individual, can here be used more appropriately. Indeed, as an auxiliary to newspaper advertisements they are always valuable. A dealer can display much taste in getting up such articles, by the variety of type and style which they admit of without increased expense. The use of lithography to give the circular the *fac simile* of a specially written letter is often very advantageous.

Whatever concerning a retailer's business is published, either by newspaper advertisements, handbills or circulars, should be the truth. If that will not serve, or it is thought that it will not, it is better to keep silent. Whatever may be the current belief by people outside of a retail business, money is not made in the end by deceiving those with whom we deal, and on the continuance of whose custom we are to rely.

Much though depends on the manner in which truths even are related. A tame, spiritless, common place advertisement which may be true in every respect will fail to attract the notice and be retained in the memory, like one of an original, spirited and novel character. A business man may be known, to some extent, by the style of his advertisement. If he merely revamps old and stereotyped ideas, and adopts other men's phrases and forms of expression, the probabilities are that he does the same in his business. And the best that can be said of the goods and prices of such a dealer is that they are as good and as cheap as some other dealer's.

Every business man should endeavor, in the form and method of his advertising, as well as in the transactions of his business, to improve upon what he sees around him; to originate new ideas and new methods, and not be content to servilely copy even the most intelligent and prosperous of his competitors.

In this way only can he be a whole and complete merchant, whose business fundamentally is to strike out new paths and new ventures. In this way only can he hope to reach the end at which he aims. The well-trodden ways of business are always full of a satisfied multitude, or if not a satisfied an incompetent multitude, plodding along like those around them, with just enough of profit to keep soul and body together; often slipping down in insolvency and run over, then up and at it again, till death steps in, and with one blow ends both the life and the business together.

There is nothing in the reading line so "flat, stale and unprofitable" as the advertising pages of our newspapers. It would seem that there is only one set of ideas that will pass current in that department, and that each advertiser had taken the greatest care to eliminate every original illustration of his idea from his advertisement. Black's advertisement would answer for Brown's, merely changing the number of the street. Green's for his neighbor White, and vice versa. I have sometimes thought it would save the printers work if they would have some of them stereotyped, with blanks for the name and residence, to be changed as occasion required.

To a great extent the subjects treated of in advertisements are the great concerns of every day life, about which, in their variety of detail, long columns of interesting reading matter are indited editorially or in correspondence, and printed side by side with the advertisements, meeting with eager readers.

It is possible that some of the want of originality in advertisements arises from a very laudable desire in the advertiser to avoid the appearance of being singular or eccentric. He wishes to make known his business, yet avoid personal notoriety. I have observed this trait

cropping out in the characters of many people. They can not endure to have themselves talked about. Socially this is a very good trait, but such persons generally lack energy in business. They are afraid to go forward in any unbeaten path—not because they think it may prove unprofitable, but simply from fear of what the “Mrs. Grundys” of their acquaintance will say. Somebody might laugh at the originality of their advertisement or disparagingly criticise it, and that would hurt their feelings. If our feelings were moved oftener by the inner consciousness of right and duty, and were less sensitive to the whims and opinions of those around us, we should get through the world more comfortably, and the world would grow wise faster: as each man’s originality would have a better opportunity to develop.

After all which may be said on the propriety, or the best method of advertising, it should not be forgotten that advertising is only an auxiliary to a business—mainly useful in increasing the sales—and thereby increasing the profits of a business which has an inherent life in itself. It is the whip which applied to the active and vigorous horse, causes him to spring forward, and earlier reach his journey’s end. It is of little use to the jaded and lazy beast. There must be such a co-operation, by due activity in the other and more essential parts of the business, as will turn to good advantage the notoriety given by advertising, or the notoriety is useless. When people have been induced to visit a place of business through advertising, they must be so received and so dealt with that they do not leave with the impression that they have been deceived by the advertisement. Unless this is done, the business can not be increased, nor even sustained, as the advertiser has then only advertised and made more conspicuous his own incapacity to conduct his business.

CHAPTER VIII.

EMPLOYMENT OF CLERKS.

ONE good clerk is worth a dozen poor ones. The one is an aid in the business, the others only obstacles. The former relieves the proprietor by his care and attention to such of the details of the business as are entrusted to him; the latter, by their carelessness and mistakes, cause increased labor in the necessity of not only looking after them, but also after every detail of the work entrusted to them, to see that it is properly done.

One of the greatest difficulties of finding good clerks arises from the unwillingness of men in the trade to teach them, and perhaps somewhat from the unwillingness of boys to obligate themselves to remain long enough with one employer to be taught. Merchandising is a trade requiring for a surety of future success, quite as long an apprenticeship to learn as the majority of mechanical trades—though unfortunately boys do not think so. And when, therefore, such are taken by proprietors of retail stores into their service, the engagement on both sides is of too transient a character. No arrangement is made looking really to learning the business. The immediate necessity for a boy to fold and tie up goods, carry out bundles, and keep the store in order, is all that is sought to be supplied on the side of the employer; and the weekly salary to be received, with perhaps the opportunity to steal a knowledge of the business is all that is expected by the clerk. No permanent or sufficient arrangement is made, in view of what both parties will

need in two or three years—the one an intelligent and educated aid in the business; the other a full knowledge of the business details.

Under such an engagement the boy remains a year or two, nominally a learner, and his employer with the best disposition towards him, feels but little interest in endeavoring to teach him the details of the business, beyond what answers the immediate necessity of the day, as he is in doubt whether he will remain with him from one month to the next. The boy picks up what information he can from observation, and at the end of a year or so knows by name the different articles kept for sale, and can sell goods to some of the more intimate customers of the house. Seeing no great prospect of advancement, as his employer, knowing his ignorance, does not overrate him or increase his salary, he seeks an engagement in some other house; not now as a novice, but claiming to be able to sell goods, and if he has sufficient assurance and self-conceit may obtain a largely increased salary. The hardly half-taught young man is by the change now placed in a position where he in turn becomes the teacher, by example at least, of any novice his new employer may have in his service.

The new employer, in his efforts to make the best of a bad bargain, may teach him something more, or with some objurgation on the impossibility now-a-days of getting a clerk worth having, submits in despair till the end of his engagement, when the clerk with one more year's experience finds another place, and his employer another clerk which is generally a duplicate of the previous one, only with a different class of failings.

Whatever may be the youth's changes, the day comes at last when he has spent time enough, and ought to be thoroughly educated in his occupation. Should he possess

what perhaps only one in ten have—great natural gifts of discrimination and facility of acquiring information from observation, he may, by remembering something of what he has seen, and forgetting a good deal of the so-called business knowledge which he has ignorantly picked up, in the end become a good salesman, and a valuable acquisition to a retailer in his business.

How much more satisfactorily is that man served, however, who first carefully selects such a youth as he thinks has a natural adaptation and ability for the business, and then makes an engagement for a certain period of five or six years, on a specified compensation for each year, part of the compensation being a thorough tuition in the business. The certainty of being repaid in the later years of the lad's services for any time or attention taken in teaching him, is a fair inducement for the employer to bestow both, and impart to him in the daily routine all which the employer himself knows concerning the management of the business. The learner, seeing that his employer takes an interest in him, feels a reciprocal interest in his employer's business, and they both soon come to view the relation between them as of higher consideration than a mere mercenary engagement. When, under such circumstances, a boy does not live with his parents or other personal friends who will look after his moral training at the same time as his business training is advancing, it is very desirable that a part of the compensation agreed on should be board and living in his employer's family; or where that is not possible or convenient, in the family of some friend of the employer, where his actions and habits outside of the business may have the restraining influence of his employer's observation.

A false notion prevails with many worthy people, that in thus training up a youth, they are entitling themselves

to a continuance of his services after the first engagement expires, at the period when the young man having thoroughly learned his business, naturally is desirous of forwarding himself in the world. Nearly the only objection advanced against this method of training up clerks has been what was falsely called their ingratitude for what had been done for them. Instances of this kind are known where all the kindly affection which had grown up between the parties by years of mutual confidence, was embittered at the end of the term, by some ill-natured display of this disposition on the part of the employer; who, had he reflected, would have overlooked the indiscreet or trifling remarks which he too readily construed into signs of ingratitude.

A young man naturally rejoices at the arrival of that period in his life when he is regarded as a man; and it should not be hastily concluded that because he is so particularly joyful at the expiration of such a period of apprenticeship, (if it may be so called) that he has felt the service or engagement a hard one. The employer who may be placed in such a position should be very sure that there is ingratitude on the part of his clerk, before he manifests the opinion by any speech or outward action. And if, at some time, he is induced to believe so hardly of his clerk, let him specially consider again whether on the whole there is anything that the young man ought to feel peculiarly grateful for. Whether for all that has been done for him he has not returned a full compensation by his faithful services, and whether there is not quite as much cause for gratitude on the employer's as on the clerk's side.

An employer who is so selfish that he cannot receive some of the compensation, in such an engagement, in the merit of the action itself, even when the recipient fails

to fully recognize its value, is not to be envied, and is in truth unworthy and unfitted to have the training of any one.

A fair degree of liberality toward a young man at the end of such a term of service, is actually advantageous to the employer. Knowing his clerk's qualifications and ability to fill situations more profitable than he can perhaps offer, it should be his effort to aid him in his endeavors to obtain such a position. He will find a beneficial influence resulting therefrom on the younger clerks still in his employment, coming on in different degrees behind the one that has now attained his education. They will see that there is something to strive for beyond merely getting through this probationary period with the best grace and least work they can. It acts as an incentive to them to be diligent and attentive to the commands and wishes of the employer, so that at the end of their engagement they too may be found worthy of a recommendation to a higher and more lucrative position.

But the retailer commencing business must of necessity employ clerks already taught, and must take them as he can best find them. If he does not expect very much from them he will be less likely to be disappointed. He who anticipates hiring clerks that will attend better to the business than he does himself; who will come earlier in the morning, stay later in the evening, sell more goods, be more courteous and attentive to the customers, or attend to any one department of the business better than he does himself, will very often find his anticipations not realized. With the retailer who would prosper, it is quite as necessary as it is to the farmer to say, "come, boys," instead of "go, boys." If, therefore, a business has been or is being established, which it is designed to leave mainly to the management of hired clerks, because

of want of time, or want of capacity on the part of the principal, it will be preferable to give an interest in the business to a principal clerk, so that he may have the motive to urge him to attention in the business which the owner himself would have.

If though, the proprietor of a new business wants clerks to assist him, he should endeavor to secure such as have had a thorough business training in houses of repute and character, by paying them sufficient salary, until such times as he can train up others. Much ought to depend upon the character of a house in which a clerk has been trained. Ill manners, rude speech, tricks of the trade, and other evil results of bad teaching, are easily carried from one house to another. Indeed, the mere presence conspicuously of a clerk long known as with some house of selfish and illiberal character, will give a suspicious taint to the new house.

Some dealers have a principle of never keeping clerks long in their employ, on the ground mainly, that while they are new in the place they are more zealous, and make greater efforts; while after they have been some time in the one employment they become careless, feeling that they are settled permanently. Such employers are generally not well served, as the short term of service of each clerk is soon noticeable, and really good clerks object to making an engagement which is pretty sure to fail of being renewed at the end of the year. All things considered, it is better to make as few changes as possible in employees, retaining them from year to year, if suitable even in a modified degree. We know the failings of those we have, and how far we may depend on them. A stranger has to be watched at all points, until we learn where he may be trusted. Though this disposition should not be carried so far as to retain those who by their mis-

conduct or carelessness show that it requires, in their opinion, no effort or anxiety on their part to be continued in the service. When a clerk shows that he has no anxiety longer to conciliate his employer or obey his reasonable requirements, it is time he was away from his service.

Clerks are sometimes employed only from week to week, or month to month. A very unwise custom, except with supernumerary clerks who are taken on only for a short time in the height of a season's business, and can readily be dispensed with at any moment. A clerk who is liable to be discharged at the end of every week or month, is constantly looking around for more permanent employment, and necessarily cannot so thoroughly give his attention to his employer's interest. Besides, the principal himself must always fear that in the busiest period, when he can least readily replace him, the clerk may leave to his disadvantage.

Clerks are human—they have their failings; they require sometimes to be plainly spoken to, for omissions of or inattention to the duties incumbent on them. And the employer who fails to speak at the proper time neglects an important duty, and will have no subordination among the clerks in his business. But it must not be forgotten that when they do well they like to be praised for it, or at least have the service acknowledged by a kindly recognition. The employer who has plenty of censure for his employees and no praise, is in a fair way to be very poorly served. Nor are clerks mere machines, that being used for the day can be thrown aside when the night comes, without a care or thought about them, till they are again wanted. Though an employer may think that there is no moral obligation resting on him, to care for his clerk's behavior when away from his place of business, his pecuniary interest, which will often be imperilled by a

clerk's misconduct, should induce him to see to it, that the hours of leisure of those in his employment, are not spent in evil courses, which will bring discredit on them, and subsequently on him for employing them.

In employing clerks some regard should be had to the clerk's necessities for living expenses. If the salary proposed to be given, is clearly inadequate to keep his family, or himself if single, in the manner he has been accustomed to live, or near it, it will be better to forego his services. It often happens that a retailer wanting only a third rate clerk to fill a position which a smart boy of seventeen could fill, to whom he expects to pay a very moderate salary, yet one fully equivalent to such a youth's services, has applications from experienced clerks out of situations, who are willing to take such a subordinate position, until they can find something better to do. The retailer may feel that it is almost a charity to employ such a man—who perhaps has a family to provide for—in preference to a boy who may be living at home with his father, and in no want, and thinks he is fortunate in getting so able a clerk at so low a salary. But the result in such cases is generally unfavorable. It is poor policy to employ any one in positions so responsible as a retailer's clerks are generally placed in, when the salary paid them is inadequate to their support. If no worse result ensues than over-drawing of the salary, as speculation, or the taking of goods surreptitiously, it will prove in practice that the dealer is not as well served in the department he sought to fill—though the employee may be valuable in other positions in his business, where he is not really needed—as he would have been by the employment of a younger and less experienced person, who would have been ambitious to excel in that special position, so that he might have a chance to be promoted to a higher one.

When a man needs a cart horse at a price of one hundred dollars, his want is not supplied when for the same amount he purchases a race horse worth a thousand dollars.

Sometimes on account of natural dullness or distaste for the business, boys do not readily acquire the knowledge of it, while the dealer, induced by family or friendly considerations towards them, still retains them in his employment. Even with older clerks, often evil habits of various kinds cause them to be a continual source of annoyance, and though at times efficient, they are so unreliable as to be of but little real value to their employer. While on the one side, a retailer should not expect perfection in his clerks, he ought not on the other to put up with confirmed deficiencies, which can not with reasonable efforts on his part be amended. The training of clerks is but an incident in his business, and should not require too much of his time. And it is good policy to get rid of such incompetents at once, and not waste valuable time in trying to reform them.

CHAPTER IX.

ON THE ART OF SELLING GOODS.

IF we liken the whole economy of a mercantile business to the structure and operation of a steam engine, the department of selling the goods may with great propriety be regarded as the steam which sets in motion the various parts of the complex machine, and produces the action and result intended. The other matters are but the setting of the engine—the proper fitting and adjustment of the several parts, or the lubrication which prevents friction; without special attention to some of which it is possible that the engine will move if enough steam is applied, though with much noise and friction, and waste of power, and probably without accomplishing much. But no matter how nicely the several parts of the engine may be adjusted and oiled, if there is no steam, or an insufficient amount, there can be no result. And all the care given in choosing a location, selecting a stock of goods, and properly arranging the numberless details of the business is but incidental to the main object—which is *SELLING THE GOODS*; and which if left undone makes useless and valueless all the preparatory work.

This must therefore, after all, and before all, be the great object which the retailer should perpetually strive to accomplish, for a failure in this is a failure in all. It should be a frequent, yes, daily consideration, how he can increase his sales.

Men there are engaged in business, in inconvenient locations, with stocks of goods in disorder, weak credit,

limited capital, and if possible other disadvantages, who, in spite of these difficulties, through great natural and acquired ability to sell goods, and close attention to that part of their business, are making fortunes. Not, perhaps so quickly or so pleasantly, as if they enjoyed some of the minor advantages. But it will not be too much to affirm (for the result is self-evident) that however much care might be expended on the preliminaries of a business by any one, if he did not bestow some considerable attention to the selling of his goods, his success would be exceedingly limited. Instances are doubtless within the knowledge of almost every reader, where persons of good character and general ability, lacking this one great requisite, have commenced business under very favorable auspices, and to the surprise of their friends have not succeeded. Such men are found frequently; their goods carefully purchased, and well suited to the wants of the community; store in good order, the machinery, in fact, all complete and well adjusted, but with an insufficient head of steam to do any execution. Generally these men are the easy, good natured ones of the community, with the best of reputations for all the moral virtues, careful and prudent, and endowed with sufficient good qualities to ensure success in many of the pursuits of life. But they are sadly out of place when they attempt to sell goods. Whether from inability to discriminate individual character quickly, slowness of speech, want of full appreciation of the necessities of the case, or whatever cause, they lack the ability to sell goods, and are therefore almost uniformly unsuccessful in trade; in the current phrase, "rusting out."

Probably one half of the adult male population in these United States consider themselves well qualified and fully competent to sell goods. And if other circumstances

were favorable would have no hesitation on this point about embarking in a mercantile business requiring the salesman's ability to the greatest extent. Yet it may be doubted whether there is one person in a hundred who possesses such qualities of mind and person that he can, even under very favorable circumstances, become a good salesman.

Almost everybody can speak in public, and so almost everybody can sell goods; yet we have few orators and not many more salesmen. There is such a variety of information and versatility of mind requisite, without which only mediocrity can be expected, that but few possess them or can acquire them in a high degree.

A good salesman should have a comprehensive knowledge of the goods he sells, their origin, peculiarities and advantages over other goods of similar character, for special or general uses, so as to be able to properly commend them. He should know their defects so as to best apologize for them. In addition, a general knowledge of the uses and purposes to which they are put by the buyer, and also a knowledge of other kindred goods which may be used for the same purpose, so that he may suggest to his customer the peculiar advantage of this, or the disadvantage of the other, when the customer, as is often the case, does not yet know exactly what article he does want, being only aware of the necessity of supplying his want with something appropriate to the purpose. And in all this he should have a knowledge superior to that possessed by the person he sells to; for any exhibition of ignorance by the salesman, must be followed inevitably by a loss of some of the confidence which the buyer would otherwise repose in his opinion.

A good salesman must have also a good address, meaning thereby the ability to express his ideas clearly, fluently

politely and deferentially, together with an acuteness of mind and knowledge of human nature which enables him to know just when to speak, how to speak, and when to keep silent. It is mainly this extensive knowledge of human nature—the result of close observation, and sometimes seeming almost an intuition—on which the success of the salesman depends.

A good salesman always shows too, not only a wish to sell his goods, but a desire that his customer should be satisfied; a willingness on that account to exhibit his wares in even greater variety than they are asked for, with minute attention to the buyer's wishes, and all as though it was a pleasure to do it, and not an unpleasant task.

Although the old adage among merchants that "goods well bought are half sold" will always be a truism, for if care has been taken to get just such goods as are in demand, and they are offered for sale at reasonable prices, there is not much necessity for great efforts to dispose of them to a buyer, who may need them quite as urgently as the seller needs to sell them; yet there will always be a great many articles which every retailer keeps, which he can not expect to offer more advantageously in price, than his competitors offer them, and for the sale of which he must depend on other influences than the intrinsic merit of the goods themselves. Such articles as these the buyer will purchase wherever he is most honestly, honorably and agreeably dealt with; and it is in the sale of these that the salesman's art and the abilities as above mentioned are more particularly required. If the goods are exhibited with reluctance and with apparent discontent and inconvenience—or if the salesman's speech is rude, insolent or clownish—or, as more often, supercilious and arrogant, as if he felt that he occupied a position of im-

portance as compared with the buyer—or if he is disposed to be snarlish and ill-natured whenever the buyer does not readily accept his asseverations about the quality and value of the article he praises, or seems inclined to leave without purchasing, it can hardly be expected that the buyer will be induced to buy there, or be attracted to revisit the store or commend it to others, for anything that can be bought elsewhere.

Salesmen who exercise so little control over their own passions, clearly show that they have mistaken their business, and are better fitted to drive oxen or swine, a vocation in which some bluster and irritability may be pardoned.

When there is an apparent absence of animation and anxiety on the salesman's part, a similar state is often induced in the customer. The interview and examination of the goods end with "it's not of much consequence now; I'll call again when I need it;" and probably within an hour after, in some other store, and with a more earnest and energetic salesman, the man purchases a similar article, in no way better suited to supply his wants than that which he had previously looked at, led thereto solely through the seeming anxiety of the salesman to make a sale.

It is not meant that an anxiety must be counterfeited where none is really felt. It is taken for granted that every man in business has an anxiety to sell his goods; but one man may make but little exhibition of it to the customer, while another attains a habit of showing, in such cases, all the anxiety he feels.

In all these things, however, regard must be had to the nature and disposition of the customer. The salesman's object is to satisfy the customer, first, that the article shown is just what he wants, or if not exactly that, that

it comes the nearest to it of anything which can be had; and, second, that the price is lower, or as low, as it can be purchased for elsewhere. And when we remember that two persons rarely arrive at the same conclusion, through the same chain of reasoning, or from a view of the same surrounding circumstances, it will be readily seen that sometimes much tact is required by a salesman, in bringing a customer to the point of buying.

One man is brought to that only by a fair argument on the merits of the goods, as compared with other similar articles—all the advantages of this, and the disadvantages of the others, that he seems to hanker after, must be brought before him; another comes to his conclusion to buy entirely through extraneous influences—because the salesman is a "good fellow," "member of our lodge," or "association." Another is like a child, needs to be told what he wants, having no opinion formed about the character of the article he needs. This peculiarity is often found among men very intelligent in their own sphere, but not knowing, or caring particularly to inform themselves, about the small matters of every day life, such as usually concerns the retailer, and disposed, therefore, to accept what is recommended as best by the seller, so long as they have confidence in his honesty.

Another class are the suspicious ones who see a mountain in every molehill—who can neither be led, coaxed or reasoned along. At every attempt on the salesman's part to do either, they fly back farther than ever from the point. These generally go by the rule of contraries. There are a great many of them in the world, and they need to be treated as the Irishman treated the pig he was driving to Cork—kept of the opinion that they are wanted to go the opposite way.

Every retailer long in trade will have noticed this class

of customers, who seem to know so much, or think they do, that they rarely buy the article he recommends. They are not unwilling to ask the dealer's opinion of the merits of the rival styles of goods which may be offered them to select from, but generally end, if they buy at all, by taking the article not recommended by the dealer.

When trading with such a customer, a sagacious salesmen would be cautious about too much commendation of the article the customer seems most to prefer; for by the injudicious commendation of that the customer is prejudiced against it, and there may be no other that pleases him. It is a better course rather to speak of the merits of the article which does not seem so acceptable to him, so that his choice may be free to fall on that which he likes.

This is not required to be carried so far, nor should it be, as to depreciate the article he likes by the comparison, lest it confirm the customer in the habit of distrusting others. Any tendency which it may have to confirm him in that disposition, may be thwarted, if after the selection is made, the salesman will make some such remark, as that his disinclination to praise the article selected, was not because it had not merits as great as the others which he did commend, but arose solely from his knowledge of the disposition of the customer to refrain from purchasing anything highly commended. And at the same time, if possible, pointing out some hitherto unnoticed and special merit in the article selected, which particularly makes it suited to the buyer's use.

I have said that a good salesman should have a knowledge of the character and qualities of the goods he deals in, superior to that of the buyer, at the same time it is sometimes very injudicious for the salesman to appear to know too much. It is to his advantage to have the buyer

in the first place satisfied with himself, as a preliminary to his becoming satisfied with the goods which he is about to sell to him. With most people a greater satisfaction is felt in buying from a salesman who does not know, or whom they think does not, quite so much as themselves. The customer is generally conciliated by a certain amount of deference paid to his opinion, either about the articles he is buying, or concerning any other subject which may happen to come up on the occasion; nor should he be offended by any arrogant rebuttal of his opinions when respectfully expressed.

It is a great folly for the salesman to get into an argument with him, even though satisfied that the customer is wrong. Acute observation will quickly discern whether the customer really knows as much about the goods as he professes to, or whether it is mainly an assumption for the purpose of increasing his importance in the eyes of the salesman. If the latter, it can be humored to advantage; and if the former, the salesman will act wisely in confining his remarks to such points as he clearly knows that he is right on, so that his ignorance may not be betrayed.

A word of caution may be proper in relation to the anxiety which the salesman should show to effect a sale. In no case should this be carried so far as to give the customer the impression that the seller is to be very much benefitted by making the sale in question, lest a suspicion arise in the mind of the customer that the seller's gain is to be made to his disadvantage, and he be thereby induced to decline purchasing an article which he otherwise would buy.

It was this influence which a certain proprietor of a large business endeavored to counteract, when noticing that one of his salesmen had been for some time earnestly striving to effect a sale to an apparently disinclined

customer, by approaching him with some such remarks as the following—addressed to the salesman:

"Well, Thomas, you seem to have been trying very hard to make a sale; what is the matter? Doesn't the article suit the gentleman?"

"Yes," answers Thomas, "the goods suit him, but not the price. I have offered it at five dollars, at which price it is cheaper than anything of the kind in the store, but I cannot induce him to buy it."

The proprietor taking up the article and scrutinizing the cost mark, replied, "At that price it is of little consequence whether you sell it or not. There is too much to be done this morning to spend so much time in trying to effect a sale, and if the gentleman does not wish it at that price, you must let him go." And passing on to other duties, left Thomas with the customer—expecting, not that Thomas would let the customer go, but that the customer will conclude that Thomas' anxiety to make the sale can not proceed from any great profit that will be made on the goods, since the proprietor seems so unconcerned about selling.

The extent of anxiety which a salesman should exhibit, must be regulated like the other matters mentioned—by the disposition of the customer. One will not buy unless the salesman is almost vehement in his desire to sell; another wants very little of such earnestness, just enough to show that there is a willingness. The community of purchasers range in all grades between these two extremes. When a stranger comes to buy, whose disposition in this respect is unknown, it is safer to be moderately anxious, while in doubt, as we are more ready to pardon what we think an excess of earnestness and warmth in such cases, than we are to pardon what seems coldness and inattention.

It is always more pleasant to a stranger entering a store to make a purchase, to be promptly met by the intelligent, anxious, expectant face of the salesman, asking how he can serve the incomer; than to be met with coldness and apathetic waiting for the buyer to make known his wants. The store is the home of the salesman, and the incomer, whether stranger or acquaintance, should be met as he would meet him at his private residence—at the doorway or near it, with a welcoming look or word.

Buyers can be rude as well as salesmen, and some think themselves privileged at such times to use very uncomplimentary language about the goods that are offered to them, provoking replies on the part of the salesman, which if indulged in would generally end in the loss of the sale of the article at the time, perhaps even the loss of the customer forever afterward.

When the customer professes to know so much, and to be so positive in his assertions, and when there is nothing really in the character or price of the goods warranting the invidious remarks he may make, the best way to parry them, if it be desirable not to give offence, is by a little gentle raillery, which he can not take amiss; by which he is given to understand that he is saying what he does not truly think about the goods, so that he may have them offered cheaper. The extent to which this resource can be availed of must depend upon the acquaintance and relative position as to age, &c., of the salesman and the customer. It is at best a dangerous remedy, and unless there is a fair certainty that it will answer the purpose in any particular case, it is best to avoid risk by a silent submission to the remarks, with perhaps a simple expression of regret that the article does not suit. Still there will occur instances when the salesman's self-respect requires that the customer should be informed in the po-

litest way possible, that his unjust assertions and remarks are without influence or effect.

When a customer does not seem to know exactly what grade or style of goods he wants, as is often the case, the salesman should endeavor, without too much questioning or too many words, to get some idea of the use which is to be made of the article, or the price which the customer expects to pay, so that he may be able to exhibit his goods with some discrimination. At this juncture price is of more importance than style, as people have generally a more definite idea of the amount of money they want to pay out, than they have of the exact style or quality of goods they will purchase, and it is more difficult to get them to go beyond their limit in price than it is to fix on some other style. If at first goods are exhibited of much higher price than the customer expects to pay, the inferior qualities afterward shown him, commensurate with the lower price which he is willing to pay, seem worse by the comparison, and he is less easily satisfied with them.

As a general rule, therefore, goods should not be shown which can not be sold at or less than the price named, until after a full and complete effort has been made to suit the customer with the others without success. After that there can be no loss in showing a better grade of goods, prefacing the act with some appropriate remark such as "if you will go a little higher I think I can suit you."

It will be when such better goods are shown that the general knowledge of the manufacture and intrinsic value of the goods dealt in, before referred to, will be found useful. Ordinarily the customer will then be satisfied with the quality, but desires to buy this better quality, at or near the price asked for the inferior goods. The great

majority of consumers are not ready to see, or if they see will not always acknowledge the necessity for so great an increase in price as a superior article always commands. In a cursory view, while the superior article seems better, it does not seem so much better as to warrant so great an advance as is usually obtained. It is the current belief that it costs very little more to produce or grow a truly good article, than it does to make a miserably poor one, and therefore that the former can be afforded at nearly as low a price as the latter—that if twenty-five cents will buy a pound of poorly made butter, thirty cents ought to be sufficient to pay for a pound of the best; forgetting the great rule in the interchange of commodities, that the perfectly made article is always very limited in quantity, and commands a high price, and pays a good profit to the one that produces it, while the inferior or imperfect grade is always over-abundant and often sells at a loss.

It is the work of the salesman in these cases to explain clearly the cause for the higher price, as found in the increased cost of manufacture, by the use of a better raw material, a greater weight of it, finer finish or newer fashion, or whatever it may be. It is not enough to simply say "the goods cost more." The reason is required as to why they cost more, and it must be a valid reason to have any influence on the buyer.

If after all the customer is unwilling to pay the higher price, and the salesman is at liberty to make an abatement in the price by throwing off some of the fair profit, and he has reason to believe that that will induce the customer to purchase, he should make the abatement in good season of his own volition, and not wait for the customer to offer him a lower price.

It is generally bad policy to have the buyer make a

price, even when the price is in itself satisfactory. The buyer founds his offer mostly on the asked price, and not on his intimate knowledge of the goods, and when the offer, made in this way, is accepted, especially after two or three transactions, he is ready to believe that the dealer's asking price is no criterion of the value of the goods, but is named in the expectation of abating from it, and hence loses confidence.

When an abatement, as above suggested, is meditated by the salesman, it is a good plan to turn the attention of the customer to the purchase of such other articles as he has come to buy, and after selling all of these that are needed or can be sold, then to recur again to the goods first looked at, proposing the abatement as a favor on account of the other purchases. By this plan the evil influence of an abatement in price is fully counterbalanced by what seems the friendly effort to accommodate the customer.

In the belief that the art of selling lies in talking, salesman sometimes acquire a habit of talking too much. Two injurious effects result from this volubility. One is, that in the enumeration of good qualities, some will be mentioned which the article has only in very moderate degree. The attention of the purchaser is thus called to this quality, or rather lack of quality, thus unwisely brought to his notice, and the purchase is postponed in the hope of finding something elsewhere which will suit better in this respect, when if nothing had been said, this particular trait in the character of the article would never have been thought worthy of consideration.

The other evil consequence of too much talking, is that the salesman, to keep his tongue running, must introduce extraneous matters as to whom he sold or exhibited the goods yesterday, and what was said about them, gradual-

ly running off to the topics of the day, and drawing the customer's mind from the consideration of the article and from arriving at any conclusion about the goods. No allusion should be made by the salesman to outside matters, nor should he respond to any such remarks made by the customer, except in short answers, as "yes" or "no," during the time when the goods are being inspected with a view to a purchase. At this period of the negotiation the customer requires to have an opportunity for a moment or two to decide, except, perhaps, with some of the weak-minded who can never come to any conclusion without aid. The salesman must do, at such times, as the doctors do in some cases, "leave nature to do the work," lending a helping hand only in an emergency, and then always in harmony with nature.

Sometimes salesmen injure the general reputation of the goods they have for sale, by too highly praising one or two articles specially brought to the customer's notice, as "great bargains," and which are really below the ordinary price. If the salesman has such goods to show, it is always better to say nothing about their cheapness, but to introduce them to the customer's notice for some other qualification, leaving the customer to notice for himself the reasonableness of the price. If nothing be said by the salesman concerning the price, the natural inference is that so many of the goods sold are "bargains," it is not thought worth while to speak of the cheapness of any one article; whereas if the salesman injudiciously exalts the merit of cheapness, the inference is that bargains are rare, since so much is said of the one instance, and that really this is only a "bait" to get off dear goods.

In general no one can sell goods so well or so advantageously as the proprietor of the store himself; and any one who puts off such business, as much as he can to the

clerks, while he occupies himself at the desk, commits a great mistake, though a very common one. When a business is large enough to employ half-a-dozen or more clerks, it will not of course be possible for the proprietor to confine himself very closely to selling goods, as there are other departments of the business to be attended to, requiring so much time that they cannot, as in a smaller business, be done at odd hours of the day or evening. But this book is not written for such so much as for persons whose trade does not require more than three or four clerks at the outside. In all these limited establishments, the mistake is too prevalent of the proprietor aping the manner and practice of larger business houses, and enthroning himself at the desk as a sort of driver over the two or three salesmen.

In such a position the dealer does not come closely enough in contact with his customers, while in the act of buying, to know their tastes and desires regarding the goods offered, as he ought to enable him to make his purchases properly. The best place for the proprietor in such moderate establishments, especially in the business hours of the day, is behind the counter selling his own goods, or from counter to counter aiding judiciously his clerks in their efforts to sell, and hearing directly from the customers the objections they have to his goods, so that when he goes to purchase again, he may know what to select to suit them, and what to reject as objectionable.

CHAPTER X.

SELLING GOODS FOR CASH.

WHETHER the retailer will undertake to sell his goods exclusively for cash, or on credit, or partly in both ways, is a question which has been already referred to, as necessary to be considered at the outset, in the selection of the location and in the economy of the business generally. But it may be well to give the whole subject of cash and credit sales some further consideration, as to their respective and relative advantages.

Selling goods for cash is the simplest form in which business can be transacted, and wherever it is possible to do sufficient, it will prove in the end most profitable. The sales and gross profits are no doubt much less in any given circle or community when the business is done exclusively for cash, than it would be if done on credit; but the expenses and losses are also less, so that at the end of the year—or rather at the end of a series of years—the net results are greatest in the cash business. The disadvantages of a credit business can only be seen, and the relative difference between that and a cash business estimated, after the lapse of years; as it often occurs in a credit business, that it continues reasonably prosperous for eight or ten or more years in succession, and then in one or two years of depression and panic the accumulated profits of the past are swept away.

A cash business may therefore be commended: First for its economy, requiring fewer clerks and less of the time of the proprietor; no time being lost in keeping ac-

counts, making out bills, dunning, suing, or investigating the credit and ability of customers. Secondly, in less onerous duty on the proprietor's part, he having only his own business to look after, while in a credit business he must continually be looking after the business of many of those he credits, to see that they are not becoming irresponsible. Thirdly, for its fairness; as all pay cash one price only is required, while in crediting, justice requires that he who will surely pay should have some corresponding reduction in price below what is charged to him from whom the pay is doubtful. Fourthly, for its harmonious influences, there being fewer circumstances to create difficulties between the dealer and his customers, such as refusals of credit, dunning, suing, and the like. As none are credited, so there are none to take offence at a refusal; and on that account, as often some will do, speak disparagingly of the dealer and his goods, among their friends and acquaintances. This may seem to some a small matter, but every man who sells on credit at retail, trusts more or less, certain people in the community, when he knows they are of doubtful responsibility, for the purpose of retaining their friendship, because they have a large circle of family relations, who would be influenced unfavorably if these particular persons were not trusted. And lastly, the cash business is to be commended on account of its comparative safety. The dealer has his means in his possession, and thoroughly under his control. When he parts with his money in the first instance, he receives in hand goods, supposed to be, if properly bought, of more value to him than the money. As he parts with these goods again, he receives the money at once. Unlike the person who sells on credit, there is, in his case, very little risk of his losing his means by the dishonesty, incapacity or misfortunes of others.

The release of the cash dealer's mind from the agitating and exciting questions of the responsibility of customers, of the best periods for and the ways and means of making collections, and of arrangements for meeting his own payments, leaves him free to bestow a closer attention to the purchase and sale of goods, by which only are profits made in business.

Almost every reader who is engaged in conducting a credit business, will bear me out in the assertion that more than one-half of his time and thought is occupied with matters and things connected with the crediting out of the goods and the collections, and less than half with the actual business of buying and selling.

A cash business has two sides, and many fail of success because they only attend to one of them. It is quite as essential that the dealer buys for cash as that he sells for cash. If he does not, his chances of successfully competing with those who give credit are very limited. The great point of advantage which the cash dealer has over the credit one, lies in the lower price at which he can sell his goods. But this lower price can be but trifling if the cash trader buys his goods on credit the same as the credit trader. Five per cent would probably be as much difference as could be made, and as the credit trader would generally be willing to take off five per cent from every bill sold on credit, as a discount for prompt cash, there would really be no advantage to the cash trader, but rather the reverse, as the customer of the credit dealer would have the goods at the cash dealer's price, if he paid cash, with the privilege of the credit by paying five per cent more.

But if the cash dealer makes his purchases for cash only, buying of those wholesale houses as far as possible, who also buy and sell exclusively for cash, the reduction in

price made by the avoidance of each dealer's additional profit, put on the goods to cover the risk of loss on credit sales, would be quite considerable. For it must be remembered that it is not a single increase of price, rendered necessary to cover the risk of crediting, that makes goods bought on credit higher, but it is the culmination or aggregation of such extra prices when the goods have passed through several hands. Because the consumer does not pay cash to the retailer, the retailer cannot to the wholesale dealer; he in turn, for want of the cash from his customers, must obtain his goods on credit from the importer or commission house. And all these extra prices are necessarily saddled on the goods.

Perhaps this idea, which is an important one, deserving more attention than it receives, can be more clearly shown by an example. In presenting it I will assume that each person through whose hands the article passes can afford to sell it at ten per cent advance on cost for cash, but requires an extra five per cent to cover risk of loss when sold on credit. This ten per cent may for present purposes be supposed sufficient also to cover charges for freight, storage, insurance, etc. The rate of advance for credit is certainly under the average of that which is current in every day transactions. Of course if a larger advance is taken as a basis, the difference in the retail price will be still greater.

For the illustration take the article of wool, as it and its products are familiar to the reader; simply taking sufficient to make a pair of blankets, say eight pounds.

This at a low price in the hands of the grower in Michigan, we will, to start with, call worth twenty-five cents per pound, if paid for in cash, \$2.00

But is sold to the agent of the wool dealer at five per cent more on credit, or..... 2.10

And by the wool dealer to the Eastern manufacturer on credit, at fifteen per cent advance,.. 2.41

The manufacturer adds to its value, let us suppose, in manufacturing it into a pair of blankets, a sum equal to its original cost, so that it costs him 4.83

And through his commission house he sells the blankets to the wholesale dealer on six months credit, at the fifteen per cent advance,..... 5.55

Who in turn jobs them to the retailer, on uncertain credit, at the same advance of fifteen per cent, making..... 6.39

And the retailer sells them to his customer, perhaps the original grower of the wool, at the same advance, with the understanding that he is to wait for payment till the next crop of wool is in, making the retail price..... \$7.35

Now, for comparison, look at the price the consumer would have to pay if all the transactions from beginning to end were for cash, at ten per cent advance:

Cost of wool to the wool dealer,..... \$2.00

" " to the manufacturer,..... 2.20

Doubling the cost for manufacturing the same into a pair of blankets,..... 4.40

Cost of the pair of blankets to the wholesale dealer,..... 4.84

Cost of the pair of blankets to the retail dealer,..... 5.32

Cost of the pair of blankets to the consumer, 5.86

Making a difference in price in favor of the cash system of \$1.49; or twenty-five per cent more, which the consumer must pay for his goods under a credit system, than he would have to pay under a cash one.

It will be readily seen that no one dealer in the series

of credit dealers, could by paying cash, save more than the five per cent due as a discount for his own special payment; and would therefore accomplish but little in reducing the price of his goods with cash in hand, unless he made his purchases from those who are in the cash series of dealers.

The number of persons through which the various articles of daily use and sale—or some of the component parts thereof—pass, from the period of the raw product until they are completed, and in the hands of the wholesale dealer, makes it impossible for the retailer to buy all his goods without getting some whose cost has been swelled more or less at different points along the line by the guaranty connected with credit sales. But a steady adherence to buying for cash, and so far as possible from those who also buy and sell only for cash, will at least avoid the necessity for three credit guaranties, that to the wholesale dealer, that to the retailer himself and that to the consumer; and cannot fail to be perceptible in the price of the goods offered for sale.

Were this custom, which I am happy to see is a growing one, of buying exclusively for cash and of cash houses, more general, the influences exerted thereby would soon be so great as to compel cash transactions, by all the parties through whom the goods might come. So little, comparatively, is now done for cash, that it does not pay the large dealers in the line or series, such as the heavy manufacturers and commission men, to make an exclusive cash business. On account of these comparatively limited purchases for cash, they are under the necessity of arranging their business on the credit system, giving the cash customer such advantages as they can afford, in the form of a discount for ready money, which is, possibly, under the circumstances, fully equal to the interest and

lessened risk on each individual transaction; but is not equal to the advantage which would be gained by the receiver of the cash, if his cash business was great enough to enable him to make all his own purchases for cash.

The query will naturally arise as to what becomes of the extra twenty-five per cent which it is shown the consumer pays under a credit system? It seems reasonable to suppose that some of the dealers in the series must get an undue share of profit, and that ordinary competition would soon find this out, and the profit be reduced to a lower point.

But this is a profit only in imagination, and is not realized by anybody. A small part of it goes to pay interest on loans of money required by each dealer when his customers fail to pay him promptly, according to agreement, something more goes to pay the expense of keeping accounts and making collections, but the larger part is required to balance the losses incurred from failures to pay. It makes good to the farmer his losses by speculative wool dealers; to the wool dealer for his losses by rash or incompetent manufacturers; to the manufacturer for his losses by extravagant or reckless wholesale dealers; to the wholesale dealer for his losses by ignorant or unprincipled retailers, and to the retailer for his losses by the numerous company of customers who live by their wits or are unable to pay through their poverty. All these various and multiform losses are aggregated on the goods, and those who do pay are, under this system, taxed a great part of the twenty-five per cent, or whatever the reality may be—simply to make good the losses from those who do not pay.

The cause why the manufacturers and dealers in European countries can so generally undersell us in our own markets, lies quite as much in the prevalence of this

credit system of doing business here, as in the lower rate of wages there, which in many branches of business are not so reduced as we are accustomed to believe. The business men there have passed through that adolescent period when credit sales made indifferently, are thought to be worth within five per cent of cash. They have arrived at that maturity of experience wherein cash is mainly required in transactions, because cash operations in business produce their results with so much less expense and risk; and the cost of production is thereby materially reduced. The occasional credit a manufacturer may give is an exception, and does not break into the general plan of his business, which is founded on cash principles. When the dealer there desires goods, and has not the money, his recourse is not to the person from whom he buys for a credit, but to a banker whose business it is to lend money, for a loan. And if he has such securities as will satisfy the banker, he borrows the money and buys for cash.

The dealer there does not give way to the temptation to sell on credit, because he gets a little better price. His experience, and perhaps the experience of his father and grandfather before him, whose business has continued down for a hundred years or more, has taught him that these alluring profits on goods sold on credit are too often deceptive. He prefers to make a small profit and a sure one, to the chance of a larger one with risk of loss, and hence he sells for cash.

It is useless for us to expect to cope with them in the manufacture of any article where the risks of credit largely attach to the raw material or processes of manufacture. Our manufactured goods reach the point theirs are when they land here, loaded with credit guaranties which entirely overbalance any advantage we may have in

being saved the expense of freight, so much in some cases as to exceed even a considerable tariff on the foreign goods.

In this way we can readily explain the seemingly curious problem in political economy, which we often see, where an increase of duty on a certain article actually reduces the price. Before the duty was advanced, the manufacture was precarious, and prudent men kept aloof. The business at home was in the hands of a speculative class, who having nothing or but little to lose, made their purchases and sales on credit, and their goods were high in price, while they made nothing. Under the protection of the increased duty, sufficient capital is invested in the business to enable, and to some extent to compel, every one dealing in any of the materials to make cash transactions. The manufactured article being thus relieved from the load of a few credit guaranties can be put in the market at prices below the rates established previous to the advance in duty. The expectation of increased profit, by the advance in the duty, was the inducement to invest the capital in the necessary machinery, and subsequently the home competition reduced the profits to the minimum.

CHAPTER XI.

SELLING GOODS ON CREDIT.

THE selling of goods at retail on credit, to be profitable, must be confined to localities where the settled character of the population make it possible for the dealer to know with some degree of certainty the pecuniary responsibility and character for honesty of those whom he credits. The dispenser of credit, in the comparatively small amounts of retail transactions, should know somewhat personally of the customer he credits, beyond what he can learn from ordinary enquiries from third parties. He has not time to go around to make the enquiries requisite and usual among wholesale dealers, nor would he find it profitable if he had. Scarcely any one is so poor that he can not find some two or three friends to whom he can refer, who will think him responsible for the few dollars of a retail account. Nor is it sufficient for the retailer to take his customer's word regarding his ability to pay; nor should he be satisfied with simply a belief in the customer's good faith or desire to pay. He must investigate and know that the head is right as well as the heart. Honest people who ask for credit from a retailer, do so because they have not the ready means to pay. They are relying on their growing crop, or on their unfinished work, which gathered, or completed, will produce the means to pay off any debt that they may create. Experience teaches us that when a man relies on these things, or generally on anything in the future to put him in funds to pay a debt, he gives a *couleur de rose*

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to his expectations, magnifying their productiveness or profit beyond what the reality proves to be. And the field that was to produce twenty-five bushels of wheat to the acre, or the contract that was to yield a thousand dollars profit, falls one-half short of the expectation. It requires, therefore, the cool investigation of him who grants the credit, who will lose if it is improperly bestowed ten times as much as he will gain if properly given, to review the calculations, dispersing all the roseate hues, and looking at the applicant's prospects in their true light.

This he can only do well when he has had, or can have some opportunity to learn the character and position of the applicant by personal acquaintance, aside from his own representations.

A dealer who has for a year had daily opportunities for hearing of and seeing the transactions of any particular individual in the community, ought to be able to decide at once whether he is sufficiently responsible to be credited with goods, and to what amount.

The following classes, as a general rule, should be trusted only under peculiar or particular circumstances, and then never to large amounts:

1. People of extravagant habits, when the means to support the extravagance is not plainly visible, especially when accompanied with idleness, or general incompetence for any business pursuit, so that it seems a wonder to the community how the person can afford such luxuries.

2. Those who are intemperate, or are the victims of other personal vices, which disqualify them for properly attending to business, when otherwise capable.

3. People in ill health, especially when life is much endangered thereby, and the debt would be lost in case of death—or its collection even long deferred.

4. Minors and married women who are not legally responsible for their obligations.

5. Men without families, whose attachments to any one locality are not firm, and who find no trouble in making a change of location, when even small obligations become pressing.

6. Strangers either with or without families, who drop down into a community without any one being able to learn who they are, what they are, what they have done or are doing, or what their resources for a livelihood. If such men have means upon which they live aside from present business pursuits, they rarely need credit, and if they depend upon their daily pursuit, the man that trusts them ought to know all about it, that he may judge of his security.

7. Persons who live by speculative enterprises, where they have nothing to lose as moneyless contractors, produce speculators, stock gamblers, and the like.

8. In general, all those who having lived to middle life—say fifty years of age—show no desire to accumulate anything towards sustaining themselves on the down hill of life; a turning period which is for them soon to occur, when their ability will be scarcely adequate to their support as formerly, and which may include all those who are said to “live from hand to mouth.” When people live on in this shiftless way until they are fifty years of age, it may with much certainty be predicted that in a few years more it will become necessary, or at least seemingly so, for them to consume the daily supply before they have earned it. As age advances the ability to earn in most pursuits lessens, while the desire to spend, with spendthrifts, rather increases.

The classes that may be safely trusted are those who have means which are not immediately available, as one

who has products of the soil or of his manufacture, awaiting the appropriate season for transportation or sale. Likewise those who are producing articles of sale that require a length of time for their completion, during which the producer needs a subsistence.

Instances of the first would be farmers or lumbermen, whose products are locked up by frozen rivers; or an ice dealer, whose ice houses are stored with an abundant supply, but who has to wait for the summer's heat before he can find a market for his commodity.

Of the second, would be planters, farmers, manufacturers and mechanics generally, each to a length of credit in proportion to the length of time occupied by him in the process of his production or manufacture. The honest and industrious shoemaker, who has expended all his ready money in the morning in the purchase of leather to make a pair of shoes for a customer, which would be finished by night and paid for when done, could be as legitimately trusted for his dinner till night, all other considerations being equal, as the larger manufacturer could be credited for his subsistence, and that of his employees for the more lengthened period which the exigencies of his business might require.

In general, all who are dependent on either of the foregoing or similar classes for their pay, will come under the same rule as applies to the class on which they are dependent; but at each remove of dependence, more care must be exercised in examining into the circumstances of the individual case, as the risk of unfavorable circumstances occurring increases with each remove, if there be no capital to fall back on. Thus the farmer can be credited with some safety, to an amount equal to the value of a quantity of wheat he may have on hand awaiting the opening of navigation. The risks will be his dishonesty

—not paying after he shall have sold his wheat—and his over estimation of its value, and on that account getting deeper into debt than the wheat will pay.

There would be a greater risk in crediting a mechanic on the faith of a claim for work done for such a farmer, for though the farmer may prove honest, the mechanic might not. There would be another increase to the risk in crediting a third person on the basis of claims held by him on the mechanic, as it would now require that all three should be honest, and not self-deceived regarding their claims. Debts piled on debts in this way, are unstable and uncertain enough even when the foundation is composed of property of sufficient and stable value. When, as sometimes is the case in times of speculation, the foundation is in corner lots, oil wells, gold mines, fancy railroad stocks, or other glittering schemes, valued nominally at three or four times what they can be sold for, the whole structure is but a house of cards which the first breeze of distrust blows away, with the flattering hopes of all those who have given credit on the faith of its security.

The foregoing rule of increase of risk, with increase of distance or removal from the producer or foundational security, does not govern when the removed parties have means independent of the producer. In these cases, however, credit is rarely given on the expectancy, but rather on the reality of what the customer has. And in estimating a man's ability to pay an obligation, the first consideration should be (after that of honesty,) as to whether the man is able to pay from what he has in hand, or whether he depends on something that some one else has to first pay him.

In trusting people, we should rely more on what they have than on their expectations, and take a view some-

what as the Frenchman, a retailer, did, of whom a story is told, that when his son became enamored with the daughter of a reputed wealthy wholesale dealer, the two fathers met together to settle on the details of the dowry that should be given to the daughter, which as my readers doubtless know, is in European countries an essential part of the engagement, and always corresponds somewhat to the groom's wealth or expectations. It is needless, perhaps, also to add that the parental negotiations are often of a very mercenary character, each trying to get as much for and give as little with his child as possible, and of course each trying to make the future expectations of his child take the place so far as possible of present wealth.

The retailer's son would be sole heir to his father's estate, which was a large stock of goods of several thousand francs value, on which, however, he was heavily indebted.

The wholesale dealer's daughter was also sole heir to her father's wealth, which was rated by him at many times the value of the retailer's stock of goods. As he only sold by sample on commission he had no stock of goods of varying and uncertain value, like the retailer had; his means were all in the accounts and obligations of his customers; their value was fixed, and in his mind certain. As he did not owe anything, he could, he thought, claim that his daughter's expectations at his death were much beyond what the retailer's son would receive, and hence a very limited dowry in ready money ought to be sufficient.

"But," said the retailer, "your wealth is all very shadowy and intangible. Suppose these people don't choose to pay you—then what have you? While I have, as you see, this large and valuable stock of goods."

"Ah! but then—see what you owe," exclaimed the wholesaler.

"Oh, that doesn't concern me; that concerns only my creditors."

In estimating the responsibility of a customer it will be seen, therefore, that there are three things to be kept in view:

1. His honesty or disposition to pay.
2. His means or property in hand or in expectation out of which he is to pay.
3. The incumbrances on these means, in the form of debts already created, or which may have to be created, before the proceeds of the property can be realized to pay the debt.

It is the full investigation of these, and the ability to judge correctly upon them, which enables a dealer to grant credit with a good surety of being paid. It is when he fails to thoroughly investigate them, and takes for granted that all is right, that he gives credit at random, and is likely to lose.

In a business arranged on the credit plan, an extra profit must always be obtained, to compensate for the losses which will be incurred by failures to pay; also to cover the loss of interest for the period of the credit, and for the additional expense entailed on the business, in keeping accounts, making out bills and collecting debts. The precise amount of extra profit required to cover these items is the difficult problem which all dealers on credit are troubled to solve.

Taking the whole country for a long period—say half a century—statisticians could doubtless arrive at something like an average of the losses by bad debts, proportionate to the amount of goods sold on credit. Yet it is scarcely

possible that a single dealer can, in the short period of his business life, settle upon any near approximation of the percentage of his credit sales which will be lost. The tide of confidence and of credit in the United States, seems to require a period of about twenty years, if unobstructed by foreign causes, for its flood and ebb, or about the average business life of a trader. He who commences business on the rising tide, may find that the calculations he makes of losses by bad debts, founded on the experiences of others, and on his own first year or two of business will be amply sufficient for ten or fifteen years! And should he then close his business career, his experience would indicate a very moderate percentage of loss. Though possibly should he continue business for the next five years following, when confidence may be ebbing and all values passing through a condensing process, and the whole business community in a panic, as in 1837, '57 and '73, each man suspiciously doubting the solvency of every other one, he would have to more than double the average of his former calculation to make good his losses by bad debts. And be fortunate indeed, if the losses did not entirely sweep away the profits of the former years, although these profits, at the end of the fifteen years, might have been accounted a fortune.

There is good reason to think that these periods of speculation, and their resultant panic, are coeval with a new generation of traders. Those who speculated so largely from 1830 to 1836, were not the men who had gone through the trying times of the war of 1812, and the few succeeding years to 1820—a period that history records as of great mercantile peril. At the later period these older dealers had mainly passed off the stage of action, and the younger ones had to have their experience of the disastrous results of speculation. From 1845 to

1856, when the tide was running up again, these men of '36 had passed away, or the few that still remained were regarded as "old fogies." So those who suffered the anxieties and losses of 1857 to 1861 were cautious all through the inflation from 1863 to 1870; but a new generation of traders was then coming forward, lacking this experience of their elders, and their ambitious desires to "push things" brought on the speculations that culminated in the panic of 1873. We need not expect another such climax and panic while these are the prominent men in business; but in the next few years, with a new generation of traders coming on, speculation will doubtless rage again, to culminate by 1890 in another panic. Like the girl whose mother had "been to balls and seen the folly of them," she must also go "to see the folly of them." So the sons will not heed the advice of their fathers, but must see the folly of speculation for themselves.

It is the uncertainty of the amount which may be lost by crediting out, which makes the credit business dangerous. And we may set it down as an impossibility for any dealer to name the proximate percentage on his credit sales, which will surely cover his risk. So much depends on his care and discrimination in giving the credit, so much on his promptness and skill in collecting in desperate cases, or those likely to be such, that it requires always the fear of loss to sharpen his wits and judgment. If in one or more years, through exceeding carefulness, a dealer's losses are so limited that he thinks he may safely conclude that a certain percentage, say three or five on his sales, will cover them all, such a conclusion almost surely relaxes his vigilance the succeeding year, and his losses jump up to double the estimate. In deciding upon the propriety of giving credit in actual business, there is always a struggle of two opposite influences; one the desire to make money by the sale, the other the fear of loss

if the debtor fails to pay. The judgment should faithfully hear both sides, and then determine. If the fear of loss is weakened by a belief that the three or five per cent hitherto found sufficient, will cover any loss on this special transaction, and that therefore the business can afford this particular risk, the dealer will find that he is dispensing credits to a class who have not the responsibility those had to whom he previously gave the credit. Ordinarily this error is soon corrected, as at the end of the year, when the losses are found to exceed previous calculations, an increased influence is given to this fear of loss, sometimes so great as for a period to induce refusals of credit to parties well worthy of it.

Another difficulty which the retailer has, perhaps in greater degree than the wholesale dealer, in estimating the extra profit he must make to cover bad debts, lies in the varying and changing responsibility of his customers. He cannot decide once for all. The man who was good last month or last spring may be bad this fall, and possibly good again in two or three years. He must keep his eyes and ears both open, and at the recurrence of each sale in many cases, at least every season, review his decisions about the responsibility of his customer. Noting particularly the character of his purchases, his habits, associations, and in general all his doings and misdoings, which in any way affect his responsibility, or serve to make him less desirable as a credit customer.

Such changes occur not only in individuals, but often in whole communities and states. One class goes down, and another comes up to supply its place, or perhaps for a long time none other comes up. It may be short crops for a series of years, making the farming population, and all who depend upon it, unsafe to credit; or the failure of large manufacturing establishments, throwing out of em-

ployment great numbers of operatives; or a general depression of business throughout the whole country, the result of over trading and speculation. All these difficulties tend to make the path of the retailer who sells his goods on credit, a dangerous one. There are but few men who have sufficient prudence and caution to guard against such difficulties and dangers. At least few of them who will embark in the credit business.

The most, therefore, that the credit retailer can do, is to keep the best reckoning he can, and to try to have his affairs in such trim that if he sees any signs of an approaching storm he can take in sail quickly and meet it with as little exposed to risk as possible.

To the watchful mariner there are many signs which indicate an approaching storm, and he often thinks it prudent to have everything prepared, though perhaps no storm really does break over him at the time. The more rash and heedless, care nothing for the dark cloud on the horizon, "they have seen the like before without bringing harm," and they crowd on sail while the wind is free, till the tornado comes, that sends them to the bottom; while the prudent man escapes with only the loss of a spar or two.

The opening of rival stores generally tends to reduce the sales of those already established, and this reduction is struggled against very often by increased liberality, in giving credit to those who were before not thought worthy of it, or in giving it more freely to those who had only a limited credit before. From this source comes another cause of the variableness of the loss in giving credit. A source specially to be guarded against as very insidious, and one whose influences are not quickly seen. The dealer finds the same names on his books as customers, and to casual inspection the outstanding accounts of a

later period are as valuable as the same amount was in the former years. To guard against this danger, it is well to make a classification of the debts every six months at least, and see how they compare with former years. A retailer who at the end of a season's business, might have \$10,000 due him, if the credit has been carefully given could probably make a classification somewhat as follows, with propriety:

Class A, comprising one-fourth in number of all who are credited, owing to the amount of \$5,000, on which the loss will be one per cent, or.....	\$50.00
Class B, one other fourth in number, owing \$3,000 on which the loss will be two per cent, or.....	60.00
Class C, one other fourth in number, owing \$1,000, on which the loss will be five per cent, or.....	50.00
Class D, the last fourth in number, owing \$1,000, on which the loss will be ten per cent, or.....	100.00

Total, \$10,000,..... loss,..... \$260.00
equivalent to an average of two and six-tenths per cent.

Suppose his business to be \$25,000 a year, and he fixes the sum of two and six-tenths per cent, as a fair average increase of profit to cover the risks of loss by bad debts. The introduction of a rival store, or any other cause which would tend to draw off his best customers in classes A and B, and induce them to buy less from him, and a greater liberality in crediting the weaker ones in classes C and D, to make up the amount of sales, would so change the character of his accounts that at a later classification he will likely find them in the following proportions:

Class A owe now.....	\$1,000,	loss	1 per cent,	\$10.00
" B " "	1,000,	" 2 "		20.00
" C " "	3,000,	" 5 "		150.00
" D " "	5,000,	" 10 "		500.00
Total.....	\$10,000	Loss.....		\$680.00

equal to six and eight-tenths per cent, making on the years business of \$25,000 a difference to the dealer's disadvantage of over one thousand dollars, though the same customers' names appear on his books as before.

This subject of the changing responsibility of a retailer's customers is one which hardly ever receives the attention it requires. It frequently occurs that some certain production, in a particular locality, will for a long time give pecuniary responsibility to all who produce it, and then after a time it ceases to be profitable. Either the raw material becomes exhausted—the earth refusing to yield as heretofore, or it is found in greater profusion and more advantageously elsewhere; or some other article has been brought into use which supplies its place; thus making the cultivation or manufacture of it in that special locality less profitable than previously. On account of this, the community gradually become less able to keep up the expenditure they have before indulged in, and the retailer who furnishes them with goods on credit is compelled yearly to advance his rate of profit to keep pace with his increasing losses by bad debts. On the other hand, it sometimes occurs that other localities, which have been depressed, are raised from a state of comparative poverty to one of competence, often to affluence, by the fortunate discovery of some hitherto undeveloped source of wealth, or by the adoption of some other means for obtaining a livelihood by the inhabitants.

Whenever a dealer is tempted by the falling off of his sales to be more liberal in his credits, he should carefully review the position of the business of the neighborhood, and see whether there are not sufficient causes for the decrease in his sales, other than what he may be disposed to think his extreme caution in crediting. And if he concludes that there are such, either through the intro-

duction of rival stores, or from the impoverishment of many of his customers, it will be better for him to cut down his expenses to the reduced measure of his profits, while this state exists, or if the depressing causes are likely to be permanent, to seriously consider the advantage of a change in his business or a removal to some other locality. Where competition is the main cause of the decline in sales, and the credit dealer finds others around him underselling him, and thus drawing away his best customers, it will often be preferable for him to come down also in price, and cut off some of the C and D class of his customers. So far as the net result of the business is concerned at the end of the year, it will make but little difference whether he does this or is more liberal in credits, and thus gets his old price. As the losses by his liberal credit will about counterbalance the reduction in profit which he would have to make to retain his best customers. The advantage in reducing the profits is that the dealer knows at once that his business is not so profitable as before, and reduces his expenditures correspondingly, while in extending credits the hope ever exists that as he still tries to be very careful in crediting, the losses by bad debts will not be so very much greater than before, and he continues his expenditures on the former scale, at least to the end of the year. And indeed is apt to continue them longer, for by this time he has lost sight of the original inducement to liberality in credit, and has now to spend most of his spare hours, not in studying economy, but in managing his collections.

Every retailer doing business on credit, will, if he is prudent, set a limit to the amount he will place out on credit. This limit should be proportioned to the capital, having also somewhat in consideration the amount of

goods required to furnish the assortment—taken at the period of the year when the quantity is least—and the length of credit obtained on the dealer's purchases as compared with that which he has to give on his sales.

Supposing that the time of his payments is fully two months later than the average of his outstanding accounts, and the amount of stock at the lowest point is just equal to his capital, it will require that he collects every dollar of his outstanding accounts, less the amount of his net profits on the same—within two months after they fall due, to meet his own payments promptly. But there will always be some risk in his collecting these in, and hence it is prudent not to have too large an amount outstanding. Twice the amount of the actual capital should be the outside limit of a retailer's venture in trusting out. A very successful retailer that the writer knows, limited his outstanding accounts to the amount of his capital. He kept a running memorandum of the amounts daily credited and paid off, and when the balance ran up to this sum he stopped crediting and sold for cash. In entirely a credit business, the limit might be often with profit increased to double the amount of the dealer's capital. If a dealer sells only on credit, buying on six months time, and selling on three months, and trusts out not more than the amount of his capital at one time, he will probably sell the amount of his stock three times over in a year—making due allowance for the time the goods are on hand before they are sold, and for ordinary delays in collecting. If he credits out twice the amount of his capital under the same conditions, he will turn his stock over possibly five times in a year. Of course the chance for making money will be much greater in the latter case than in the former, to which is however attached the greater risk that as he will have more to pay he may

sometimes he unable to collect or raise in any way enough money to meet his obligations.

If however the dealer has capital outside of his business which he can in an emergency draw on to pay his obligations, he may venture further, and take into consideration, to some extent, the capital he has outside. Though there is no way that capital can be so well employed in a credit business as in buying for cash, yet if the dealer has outside means sufficient to surely pay his debts, he may properly trust those he thinks responsible, to any amount he chooses. He risks only his own money.

A great deal may be done by a vigilant trader to save himself from loss by looking closely after the debtor after the credit is given. The necessity of doing this takes up a great deal of time, and is really one of the drawbacks to a credit business. When credit is given it should always be for some specified time, or what is the same, the debt should be due on some fixed day; so that the dealer may know when to ask for it, if it is not promptly paid. The very worst kind of a debt to collect is one that is to be paid "when I have sold my wool" or "my cotton," or at any such uncertain period. The trader not wanting to be too inquisitive, and not knowing exactly when to ask for the money, suffers the account to run on; till looking over his accounts on some "rainy day" he concludes that if this customer has not sold his wool, it is time he had. Sending in his bill therefore, with a request for payment, he receives back answer that Mr. — hasn't "sold his wool yet, he is holding it for a better price." Or quite as likely that "the wool was sold last month, and I have used the money; if you had only sent in this bill then, as I mentioned when I bought it, I could have paid it, but you must wait now till I have sold my wheat."

In all cases when a customer wants to buy on such an indefinite credit, it is best to have a clear understanding at the time, as to when the event is to occur; making the credit to mature on a day certain about that period. The payment being understood to be contingent on the sale of the product. Then the dealer can send in the account at the time, without giving offence, and if the product is not sold, can most likely ascertain about the day when it will be. The debtor, too, knowing the debt is due at a certain day, will be more likely to bear it in mind, and be prepared to meet it so soon as he gets the money in hand.

The dealer who is on the look-out for circumstances which tend to weaken the debtor's ability to pay, and is prompt to avail himself of the knowledge he may thus obtain, can very often save a debt by obtaining either some property or a claim against a third party which the debtor may possess. While if the matter is delayed until the debtor is completely prostrate, there is but little chance of accomplishing this. It rarely ever happens that the debtor of the retailer goes down suddenly. There is ordinarily a period of struggling, more or less lengthy—say from one to six months, during which the debtor thinks he will soon be all right again. And it is during this period, and early in it, that the retailer should make up his mind as to the ultimate fate of the debtor, and promptly act.

A conversation which occurred many years ago in the author's presence, between two retailers, who were down to New York to buy goods, illustrates the advantage of this watchfulness. The parties were both from the same town in one of the western counties of New York. For sufficient reason their true names are not given, but they may be called Mr. Smith and Mr. Jones.

It was near the close of an active day's occupation that

they met, and, as traders are wont to do, commenced talking over the events of the day.

Smith remarked "that he had sold to-day eighteen dollars of the bills of the Chickasaw Bank, (a broken shiplaster concern,) which he had received in business, and had in hand when the bank failed; getting only twenty cents on the dollar for them. He thought there should be some law to punish people who issued such money to swindle the community. He was sure his losses that way were full fifty dollars a year," appealing to Jones to verify that as the least that retailers lost in that part of the country yearly by broken bank bills.

Jones said "he did not know how it was with others, but for his part he did not lose much that way. He had only two dollars of the Chickasaw Bank when it failed, and he sold them the same day at fifty per cent loss."

"Well, I declare," replied Smith, "you are one of the luckiest fellows I ever knew. It seems to me you always escape when others lose."

"Do you think so? Well, I don't know, I have my share of losses. Perhaps not so many as some others, but more than I like. At least I don't see my luck."

"That is because you don't look, then. I can mention half-a-dozen instances where nothing but luck saved you from losing. Now, here is this Chickasaw Bank for one. There was Judge Marvin's widow that turned out so poor. We both sold her a great many goods while the Judge lived, for they had a large family. Everybody thought that the Judge left a fine property. She owes me now a bill of over three hundred dollars, and as it turns out the estate will just about pay the Judge's debts, leaving nothing for the widow and children. I heard she didn't owe you anything now, though the Judge paid you hundreds of dollars for goods in his lifetime. And there

is Phin Jackson, seemingly as industrious a carpenter as ever lived. I shall lose a hundred dollars by his failure. You not a cent, though he traded with you twice as much as with me. And that young Doctor Vogel, who came to our place last year and recently left; another one hundred and fifty dollars gone with him. I heard he didn't owe you anything, but how it could be except for your known luck I can not understand. For I know he brought letters of introduction to you when he came, and you said he was very highly recommended, besides he seemed doing a good business. I could mention other cases that occurred within a year, of smaller amounts, where I suffered much heavier than you did. Then there was that Brooker lot, on which you had the \$1,000 mortgage, and afterward bought for \$1,200, now only two years ago; and it is now worth \$5,000. Was not that clear luck? Who would have supposed that the railroad would have been laid on that side of the town. You and I started pretty nearly equal. I think I had a little the most capital, but I can't keep up with you. The luck is always on your side."

"I'm sure," said Jones, "I never looked at it in that way. It may be as you say, but it seems to me that I always got out by watching for the opportunity. About that Chickasaw Bank—I did with that as I always do with such trash, which is known by everybody to be dangerous—only take what the bank will take, and send a boy, sometimes two or three times a day, to sell it, never keeping it over night if I can possibly avoid it. I cannot well refuse to take it, so long as others do. but it does not gain much credit with me. I never receive even one dollar of such money without warning my customer of its dangerous character. You knew its character as well as I did, but still you kept the notes accumulating in

your pocket book instead of selling them at once.

Then, as to those debtors, most of them owed me, but I collected my money by looking out sharply. I always thought Judge Marvin's wealth over-estimated, for I knew his living expenses must be more than his salary, and he was often a little behind in paying—a matter of not much consideration in a customer who is in a business from which the income is always varying, but always important to be noticed in the case of a customer living on a regular income. I sold the mourning to the family at the Judge's death, and fearing that the estate would be found deficient I sent the bill in promptly, and finding it was not paid, I began to be anxious about it, though I think the widow supposed there was a fair estate left. I purposely threw myself in her way a few days after, when she mentioned that she wished to dispose of a pair of horses, and so soon as she did would pay me. On this hint I acted and soon found a customer for her, and so got the money. I did not afterward ask her to buy, and of course I had no occasion to refuse credit. I declined to credit Phin Jackson six months ago; the last bill he owed me I had to get some carpenter work done, which I did not pressingly need, to get my pay. Phin was honest and industrious enough, but he had not the capacity to conduct business. I knew that he must be losing, or at least not making anything, on most of the contracts he undertook. As for Dr. Vogel, though he promised well at first, I saw that he had the extravagant habit of spending more money than he was earning, even though his business seemed to be good. As he had no family to tie him to the locality, I did not think it prudent to trust him to any great amount.

And about the lot you speak of, you remember I had a mortgage on it of \$1,000, which I lent Brooker the same

summer you added a new wing to your house. I had the intention of adding an additional story to mine, and had laid by the money for that purpose, but Brooker being in such great need for the money, I lent it to him for one year, thinking it would answer to make the improvement to my house a year later just as well. When the year came round Brooker could not pay me, and wanted me to buy the lot out and out, to save him from the mortification of a foreclosure, offering it at \$1,200. I concluded to take it, but found myself but little better off after I got it, for it yielded no income. I reflected very often over the venture, and what I could do to make it available, and finally thought if I could only get the railroad, which was then projected to run on the other side of the town, to come on this side, it would much enhance the value of this lot. I knew that the engineers had made their report, but learned that the directors of the road had not definitely decided upon the route. So I went to work with all the arguments and influences I could bring to bear, to induce them to change this much of it, with what success you know. And I do not see what there was of luck about it, or about any of the other transactions you mention. I have always found that when I wanted any debt collected or other thing done, I had to go to work and do it, and if I did not the "luck," as you call it, was against me."

There are but few instances of retail business done solely on credit, the most of them being a combination of cash and credit, and as the other questions or considerations of the credit system have to be examined in connection with, and in reference to the accompanying cash sales, this chapter will be closed by referring the reader to the next one, which is to some extent a continuation of this, where a combined cash and credit business will be considered.

CHAPTER XII.

SELLING FOR CASH AND CREDIT COMBINED.

AS the retail business is conducted, it is almost impossible to do an exclusive cash business, and as every dealer doing business on the credit system is desirous of selling as many goods for cash as he can, it follows that practically all retailing is more or less a combination of both cash and credit sales. This combination has its common division into two classes; one where the business is arranged on a cash basis, and the credit is limited, stringent and subordinate; and the other where the business is based mainly on the credit sales—the cash transactions forming the lesser item in the aggregate. Although to some readers it may seem desirable to discuss the subject in more variety than in these two aspects, I am persuaded that what can be said on these two views will cover and embrace all gradations or intermediate proportions. It will make but little difference whether the relative proportion of cash sales in a credit business be one-tenth, one-sixth or one-third, the principles governing the business are the same, the risks only varying in their degree, the influence of which variation the reader will be able to estimate.

Whatever shall be the vague expectation or calculation of a person commencing business, in regard to the proportion of cash and credit business he will do, it is always of great importance that this probable proportion be made a matter of some study, and that definite conclusions be reached. That is, if the main portion of the business is

to be cash, and it is decided that something may be profitably sold on credit, which will not be sold if the credit is not given, then that amount should be made a definite proportion, which ought not be exceeded. It is necessary that this is decided with some exactness before the proper calculation can be made of the gross profits to be marked on the goods. Selling for credit being really only another way of selling at less price. This less price will range from one to ten per cent, according to the length of credit, or loss of interest—the risk, or loss by bad debts—and the additional expense incurred in keeping books, making out bills and dunning and collecting.

Probably the great majority of people in the retail business have never considered the relative proportion of their cash and credit sales. Their only aim or concern being to sell as many goods as they can, both for cash and on credit. Although as a principle, this is a bad one, or indeed is no principle at all, still where there is no competition, or where the competitors all transact their business in the same way, the dangerous tendencies of the plan are not likely to be seen. The profits being rated on the goods rather by the experience of the results of years, than by actual calculation of the amount required to produce under certain circumstances certain results.

But let us consider the effect, when such a business—say equally divided, one-half cash and one-half credit—encounters the competition of a new dealer, who sells only, or mainly for cash. As he would not incur the losses and expenses of the credit on one-half his sales, he could afford to sell his goods cheaper than the old dealer, by whatever he saved in this way, and yet make just as good a net profit. All other things being equal, the new house would soon attract, by the lower prices, the cash

trade of the old one, which is the profitable portion of the old dealer's trade. If the latter tries to retain this trade, by putting down the prices of his goods, as he may probably do, the result will be a loss on the part of the trade that is done on credit. Should he try to make up for the loss of cash sales by increasing the credit sales, still he must lose, and the year's business will show a deficiency by precisely the loss of interest, bad debts, etc., from this increased credit sale.

The dealer who sells his goods at the same price for cash or credit, without definitely basing his business on either the cash or credit plan, is placed in this dilemma by the introduction of the severe competition of a cash dealer; either he must reduce his rate of profit, to retain his cash trade, or be more liberal in giving credit, so as to increase his credit trade, the latter being, as before remarked, only another way of doing the former. If he does the first, he soon finds that he cannot afford to run the risks in crediting as heretofore, consequently is more stringent in granting credit, and thus loses a portion of his credit trade, while if he adopts the other alternative, and is more liberal in his credits, he soon finds it necessary to increase his gross profits, which in turn only tends more and more to drive away his cash trade. By the first course the business gradually works into a cash one, with a small portion of credit; by the second into a credit business, with a lessened amount of cash trade.

Under such circumstances, it should be a grave consideration with the old dealer, which course he will adopt; whether there is sufficient cash trade in the locality to sustain him, or whether the credit system with larger gross profits, gives better promise.

To guard against the risks which every dealer doing a combined cash and credit business continually incurs, of

the undue increase of the proportion of the credit sales, as also to record the facts as the basis of future calculations and comparisons, it is very desirable that the daily account of sales should show how much is sold for cash, and how much on credit, summing them up from week to week and month to month throughout the entire year. Only in this way can the amount of the credit sales be readily and positively known and kept within their proper limit.

Circumstances are continually occurring stealthily influencing a retailer's business in this respect, and unless he is particularly on his guard against these influences, he will fall behind. Scarcely an event can happen in a locality without affecting for good or ill the retailer's sales. The opening of a railroad, even a considerable reduction in the fare on one long in use; the establishment of a line of steamboats or stages, all giving access to some larger town in his vicinity, more conveniently or more cheaply, will frequently draw off a large number of cash customers. The trade in many of the small towns and villages, in the vicinity of a large city, is often much reduced by such circumstances. The stopping of work in large manufactories, the failures of crops, and other like causes—some operating at times very slowly—will entirely change the character and profitableness of a business in any locality; even without the establishment of rival stores, events which are ordinarily conspicuous enough to be fully appreciated in their influence, in reducing the sales of older established houses.

When the dealer who finds his cash sales falling off, can arrive at the true reason for it, he is in a fair way to surmount his danger. Sometimes this falling off may arise from a temporary scarcity of money among his customers, who are still responsible and will soon be in funds. In

such a case he can with great propriety increase his credit line temporarily, taking care at the same time to increase his profits commensurately with the increased credit sales. If, however, it arises from an actual impoverishment of the community, from such causes as previously mentioned, or others, as indeed is most frequently the case, it is not probable that increasing the credit sales will help the dealer. The loss has to be submitted to, and expenses reduced accordingly, or some addition made to the business, of goods not before kept. If the impoverishment is likely to be permanent, then the question will come up, as to whether a change to some more prosperous locality is not desirable.

When the loss of cash trade has occurred through the competition of dealers in a larger town in the near vicinity, through the increase of facilities of travel, it will frequently be found good policy to remove to the larger town. The trader can naturally anticipate that many of those who are his customers in the old locality will patronize him, whenever they go to the larger town to buy.

When the accounts of cash and credit sales are not kept separately, as herein recommended, it is almost impossible that the dealer can see, at any early period, the evil results of such influences as are enumerated. While the combined daily or weekly sales foot up to the same amount as before, the dealer continues on well satisfied. For, as before remarked, almost always the first effort to increase sales which are falling off, is by a more liberal credit—in fact offering credit to those who would buy but have not the money. No increase of gross profit is thought of, however, to cover the extra loss he will be subject to; all he looks to for the time, is to see that at the end of the day his sales are as much as heretofore. He does not notice that his business is gradually chang-

ing more into a credit one. By and by there is not so much cash received, and the dealer begins to be short of money to pay his bills. He looks back to the time when he always had money in advance of his requirements, and realized a considerable profit from anticipating his payments. Now he has to pay interest often, and the interest account, if he keeps one, shows monthly an increasing balance on the debit side. The times seem "hard" with him, and with his customers. Whenever he buys goods, he feels the necessity of trying to get a little longer credit on his purchases, not that he may obtain a greater discount, by anticipating payment, but that pay-day may be further off. He scarcely thinks it worth while to even look at the greatest bargains that are offered him for cash down, as he can not spare the money to pay for them. He is quite at a loss to account for his want of prosperity. His annual sales are nearly as great as ever, and he hopes that soon "times will be better."

At the end of the year he is surprised to see how much he has outstanding, and thinks that if he could only collect it all in, it would relieve him. He still reckons on his accounts as all good, and can show a fine profit on paper for his year's business.

The new year is begun with some energy. He sets to work earnestly to collect in his bills, and promises himself to be more cautious in trusting out his goods. But as the year's trade opens, he finds that if he would keep up to the amount of his sales, he must not be too stringent in his credits. As he turns over the leaves of his ledger he sees that the names of most of his old and best customers still remain on his books, but fails to notice that they do not buy more than half as much as formerly, and that that half is mainly composed of those staple and leading articles on which there is never much profit. If

he does not collect much cash from the others, he consoles himself with the belief that "there is not much cash stirring." And thus, while going on in his fancied security—doing business, as he thinks, in the same way he did it years back, when he did make money—he is all the while losing money from selling his goods too cheaply—too cheaply for the pay he gets—which is not now, as in times past, three-fourths cash down, but three-fourths trusted out, and to such men that he loses five or ten per cent or more of it, in bad debts, beside another five per cent in interest and extra expenses. He may be esteemed a fortunate man, who having got into such a position, from inattention to one of the positive dangers of all dealers doing a mixed trade of cash and credit, notices the cause of the difficulty, and extricates himself, with no greater loss than two or three years profits.

Hundreds continue on in just such positions, until overtaken by bankruptcy, oftentimes again and again, before they fully learn the lesson that deficiencies of cash sales can not be made up by increasing credit sales, unless an extra profit is obtained.

This is the rock on which many have struck and foundered, who started off with most brilliant prospects, and did a profitable cash business for the first two or three years of their career. As they became acquainted more intimately with their customers, they yielded too easily to the temptation to give credit to them, either to increase their sales, or to accommodate the customer. Forgetting that often people buy in a cash house, because they have no credit, and are not worthy of one.

If we were to critically examine the details of such a business, where goods are sold at the same price indiscriminately for cash and on credit, we would generally find that all the profits are from the cash sales, and that

the credit part of the business does not yield profit enough to support itself; and that those who pay cash have to contribute by the extra price they pay, towards supporting the credit branch of the business. There is morally a serious objection to the system in the injustice which takes advantage of the necessities of the cash buyer, and makes him pay the same price for an article that his neighbor pays who has six months credit on it, (and sometimes entirely fails to pay for,) and when, too, the cash buyer, as is often the case, is only one because he is poor, and has not the responsibility requisite to obtain a credit. Added to which there is the objection to it, that it is against correct business principles, and will not stand the test of competition, or even the ordinary vicissitudes of business affairs in the community among which it finds its advocates and customers.

Such a business may be perhaps more clearly illustrated to the reader by supposing a dealer to keep two stocks of goods in two separate storehouses in the same locality, say side by side, with exactly the same goods in each, the prices alike in both, in one of which the goods are all sold for cash, and in the other all sold on credit, of an average of six months. Now the profits may be so adjusted by the experience of the results of former enterprises, that the two stores together will yield a satisfactory return or net profit, while the accounts of each if kept separate, would show that there is very little if any net profit in the credit branch after due allowance is made for the losses by bad debts which will occur in the average of a series of years.

A business of this kind would not disclose its defects, while it has only the competition of rival dealers selling their goods in the same way, at one price for cash or on credit, for the rival dealers will have no advantage.

And so long as the cash buyers can not buy more advantageously, and are taxed everywhere to support credit systems, they will as readily purchase of one as another, all other conditions being equal.

But in the event of a rival springing up, selling exclusively for cash, or nearly so, as he will not have the burden of the credit branch of the business on his shoulders, on which half the capital and more than half the time and attention of the supposed dealer are bestowed without remuneration, he can afford to sell his goods at less prices, and make in the end as great net profits. His lower prices would naturally draw customers from the cash store of the supposed dealer, and reduce that branch of the business, and of course very materially reduce the profits on the whole business. And he must either enhance his prices to make his credit store profitable, and thus lose more of his cash trade, or he must reduce the prices and cut off his credit trade. The true business course would be to reduce the prices in the cash branch, and increase the prices in the credit one, until the proper equilibrium is obtained.

Somewhat similar would be the results on the profits of such a supposed double business, if any changes were to occur in the business of the neighborhood, through which the cash customers, for want of money, cease to buy in the cash store, and trade subsequently in the credit branch. Although the same amount of goods might be sold, and outwardly and on a superficial view, the joint business would seem profitable, yet it would really be languishing from time to time, in proportion as the cash trade turns into the credit branch.

This is really the course which a mixed business of credit and cash takes when carried on in one store. Active competition requires that the business must merge

either into a cash one with goods at reduced prices, or into a credit one when increased prices are necessary to make it as profitable as heretofore.

It is very rarely indeed that the proprietor of a retail store can make a difference in prices for cash or on credit. If these differences were made, the credit buyer would always want to buy at the cash price, and though he had not the money to pay down, he would "hand it in to-morrow," or "next week," and soon the dealer would find that he had charged his goods on his books at cash prices, and yet did not get the pay for them either "to-morrow" or "next week," and frequently not for six months. The next result would be, that as the dealer purchases new goods, he is tempted to mark them a little higher in price, to cover this risk, and so as to be ready to meet the customer who wants to buy for cash, yet takes three or six months to pay, on equal terms. And he is thus soon again where he started from, with his goods all at one price.

The only way that a mixed business can be done at retail, giving to the cash customer the advantage which he justly should have, is in the way that it is done in the wholesale business: by giving the payer of cash a discount, when payment is made, equal to the fair difference between cash and credit. This of course requires that the goods shall all be marked and sold at the comparatively higher credit prices, which in turn again has some disadvantage in the actual sale of the goods. Many people would not stop to enquire how much the discount off for cash is, and it is found in experience that to the multitude ninety-five cents in cash, looks cheaper than one hundred cents on credit subject, if paid at once, to five per cent discount. Every quotation of prices will be to the disadvantage of the credit house, except where in

rare instances it may be mentioned that there is a discount for cash.

The reduction of a discount off for cash would, it is true, be sometimes difficult. The very minute transactions, usual to such dealings, would make calculations of discount descend to fractions of values below the ordinary currency used in making payments. But there are many varieties of retail business in which such a discount could be appropriately made. In others it might be limited to purchases of a dollar and upward made at one time.

Five per cent is the ordinary difference in wholesale houses between six months credit and cash. Whether this is sufficient for a similar discount in retail business will depend a good deal on the extent of the credit, and the general character of it as given in the business. If the credits are very short, and only to a class of customers among whom failures are rare, three per cent may be a sufficient reduction for cash. With longer credit and less responsible customers it might be profitable to give even eight per cent discount for cash. The rate should be governed somewhat with reference to what has been added to the profit originally, on the ground of giving credit. For details of what this should be the reader can consult Chapter V. of this work.

There is another class of sales common in retailing goods, which in some localities occupy so important a part as to require notice here. They are such as are sold nominally for cash, but really on a credit of a week or a fortnight, sometimes perhaps of a month. In manufacturing localities where the operatives are paid off fortnightly or monthly, such sales are very general. The operative runs an account from one pay-day to the next,

when it is paid off, and the next day's purchase is charged on a new account. It is with most dealers the custom to regard these as cash sales, but they are very dangerous ones generally. All the labor of keeping accounts incidental to longer credits is required, and the risks of loss are generally greater. There is always a tendency to run an account too large to be paid at the next pay-day, and a balance has to be left over unpaid. This balance increases from month to month, and is very often eventually lost. The danger too, of loss of work by the customer, or removal from the place, adds to the risk.

Sometimes also men of means, who do not wish to be troubled at every trifling purchase, to send the money, and yet wish to pay cash, want an account kept which they will settle weekly or monthly, as the dealer may desire. Setting aside the trouble of keeping the account, if reasonable prudence be used in granting the favor only to those who always pay promptly every obligation, such accounts are quite as good as if the cash were paid down. In a locality where there are rival stores, the credit may have its advantage in inducing the customer to confine his dealings more especially with the one with whom he has a running account, instead of bestowing a portion on the rival stores. In general all goods sold for cash, and not paid for on delivery, come under the head we are now considering, and all such sales require a degree of care. Whatever may be the motive for deferring the payment on what are thus called cash purchases, they can not exactly be considered cash, however near they may come to it in their advantages. And where any considerable amount of goods in a mixed cash and credit business is sold in this way, in the summing up of the day's sales, it should have a separate item in the account.

The great tendency that short credits of this kind have to run into longer ones, makes it very desirable that the retailer should have such a discriminating memorandum of the daily transactions, so as to compare notes from time to time. If he puts these sales into the cash sales of the day, he only deceives himself; if in the credit sales he may still deceive himself, as in the average they sometimes make the credit sales result better than they really would without them.

Dealers who do a cash business exclusively, necessarily have more or less of such sales. It is a custom with some, when sales of this kind are made, not to count them in the daily sales until they are paid, and on the day of payment they appear as a cash sale of the day. This is a very safe plan, and when the amount so sold is not great in proportion to the rest of the business, has nothing objectionable. When, however, the amounts so sold grow to be large, almost unawares there arises a habit of depending on the receipts from such sales at certain periods, to pay bills which may be falling due. The dealer in making up his calculations of how much money he will have on a certain future day, turns over his account book, and reckons on this, that and the other bill being paid by that time. Whenever this occurs these accounts have taken the character of short credits, and should be rated and considered as such in the economy of the business.

The reader is in this connection again reminded of the great advantage in controlling the extent of credits, in a mixed business of cash and credit, by the plan mentioned in the previous chapter, of fixing a limit in the beginning of a season, beyond which the dealer will not go in trusting out. He should also always keep a running memorandum of the amount credited from day to day, and the

amount paid off, so that he may know what amount in gross he has trusted out.

This gross amount may with propriety be sometimes varied at the commencement of a business season, after a full consideration of all the prospects of the coming season's business. Curtailed or shortened when matters look inauspicious for prompt settlements, and extended when appearances are more favorable.

It would indeed be advantageous for a retailer to take more fully into consideration, at the early commencement of every season, than is usually done, the position and expectations of his customers, and generally of the town or neighborhood in which he lives, in regard to their ability to purchase goods as heretofore, noticing any circumstances which indicate that their ability to purchase will be lessened or increased, and act accordingly in purchasing goods for the season's supply, and possibly in inducing an increase or decrease of the gross profit.

The circumstances which would govern the conclusions are such as bountiful harvests, great activity among manufacturing establishments, probable increase in the prices of goods, high prices for the products of the customers, and such like considerations, which will naturally have an influence in increasing the demand for goods; while the reverse circumstances would as naturally reduce the demand, and further render probable that even the reduced demand will be wanted to a greater extent than heretofore on credit, which last would require that a larger gross profit be marked on the goods in the first instance.

Often, too, influences favorable or unfavorable, which have extended over from previous years ought to be considered. Whatever course should be adopted after this mature consideration, for the coming season's business,

whether in regard to purchasing goods, the gross profits to be made, or the extent of credit to be given, should be consistently pursued, and not deviated from on light considerations, particularly during the excitement of a busy season. The solicitations for credit are generally most urgent at the time when the dealer should be the least favorably disposed to grant it. When it is safest to give it the customers are not so solicitous, and do not often need it.

A dealer will never succeed who permits in himself the irresolution of deciding to-day and changing his decision next month, to come back to the first one a month later.

Much of the difficulty which many dealers encounter of keeping the credit sales limited to a proper amount, and only to the safest class of customers, arises from a fear of giving offence, by a refusal of the credit, as will be sometimes required, to persons who, to a fair extent, the community regard as responsible. When A knowing that the dealer has given credit to B, finds himself refused, though in his own opinion fully as responsible, he is naturally disposed to feel aggrieved. But a dealer who sells on credit has yet much of his business qualification to learn, if he cannot refuse an application for credit, when necessary, in such way as not to give offence.

There are always enough reasonable excuses for not giving credit, or should be if business is done properly, which are true and honest ones, and which will satisfy an applicant. One need only be instanced, the rule limiting credit. When such a rule is known to exist, a refusal to credit will never be cause of offence, as it will not infer doubt of the applicant's responsibility. In case of genuine doubt of the applicant's ability, a private investigation of the resources on which he depends to pay the debt when due, and a candid yet feeling exposition to the

applicant, of the uncertainty of his dependence, and therefore the danger that he will be deceived in his expectations and unable to pay, will rarely offend any one. It is more generally the open and public refusal of credit, without even listening to the inducement which the applicant has to present that offends him; as it equally offends good taste and good manners.

A dealer who really feels, as he should feel, a regret that the circumstances of the applicant, or his character, are such as to preclude him from giving a credit, will always express himself in such a way as not to wound the feelings of the applicant. It can be done, and to learn how should be the study of every dealer who is so situated as to render such refusals at times necessary.

Another way in which the credit part of a business is comparatively increased, and often unnecessarily, is from a thoughtless offering of credit to customers who would eventually buy for cash.

The husband looks at a coat, the wife at a shawl, which they will want later in the fall, as the weather grows colder, "after the wheat is threshed out and sold,"—or if it is a mechanic, after some certain "job is done." The dealer, desirous of selling, is too ready to say, "it will make no difference, take the things now and pay me then." He knows them perhaps as hard working, industrious people, with but little means or qualification for getting ahead in the world, as are three-fourths of his customers. The husband has not the courage to say no; if he makes some faint reply about "not running in debt," his scruples are soon overcome by the retailer's assertion that if he delays buying, the goods will surely be sold. Too often, when pay-day comes, the wheat has not been sold for enough, or the job has not been profitable enough to pay more than one-half of the man's debts.

Those which seem most pressing are paid, (and they are rarely "store bills,") the rest must "wait till times get better." Is it strange that the customers of such retailers, and the retailer himself always find the "times hard?"

Some reader may query whether such instances as quoted are not in the line of ordinary risks of the retail business, and whether if the dealer did not in this way forestall the transaction, some other dealer would, and thus the first one lose his customer? And if it is not fair to conclude that nine out of ten of those purchasing in this way will pay sooner or later, if the credit is given with even a limited degree of judgment?

To such a query it may be answered, that if the customer in question never pays, or pays only after a protracted credit of a year or more, the dealer will lose nothing by losing the sale. As in case the purchase is made in a similar way at a rival store, the fair chances are that he will not entirely lose his customer. During all that period between the full maturity of a debt so created, and the time when it is actually paid, whatever money the customer has to spend, is more likely to be spent in a store where he is not in debt. It being a well experienced truth, that the debtor who cannot pay, ordinarily prefers spending his money at some place where he will not meet his creditor. A preference arising probably from the fact, that a creditor always thinks that the best use a debtor can make with his money, is to pay his debts actually due; while debtors often think that there are necessities more pressing in the demand for their money, than the payment of a store debt for goods reluctantly taken on credit. And owing to this difference of opinion, the debtor does not care to let the creditor know that he has money to spend, to make such purchases.

The querist might find another argument against the

offered credit, in the method instanced, in the reflection that the momentary anxiety to make the sale, too often prevents that careful scrutiny into the customer's responsibility, which would be made if the credit was solicited, and therefore it is not probable that nine-tenths of such debts will be promptly paid, and if less than that number pay, it will be as well for the dealer to forego the whole class of such sales.

It is not meant that credit ought not to be offered at times to customers, only that it should not be done without previous reflection. A dealer who credits out his goods, will often find the safest customers most reluctant to ask credit, and an occasional hour might be well spent in considering the propriety of offering credit to certain persons whom the dealer would like to secure as customers. Still the experience of most retailers will confirm the opinion that three-fourths of their losses by bad debts came through thoughtlessly offering credit to those who did not solicit it.

A debt created in this way is never held so sacred by the debtor as one where he has solicited the credit. He is always ready to excuse any inability or unwillingness to pay, by making himself believe that he was cheated in the transaction, or at least that he was unduly influenced against his better judgment to contract the debt, and that the creditor does not deserve to be paid in any haste. The money is often withheld for a time for such reasons, even when the debtor is well able to pay.

Wherever the laws shield a debtor, as they do so generally throughout the United States, the best guaranty for payment, that a creditor can have, is the moral and equitable obligation to pay, in the heart of the debtor; and this is always stronger when the debtor feels that he was not unduly persuaded to go into debt.

CHAPTER XIII.

ON REPLENISHING STOCK.

THERE are great numbers and varieties of goods in a retail trade, that are so staple in their character, and so regular and general in their sale, that all that is necessary when they are sold out, is to buy more, a matter of very little difficulty, supposing that they could at all times be as favorably obtained.

But for the larger part of any stock of goods, there will be, at different periods of the year, greater or lesser demands. For some articles, indeed, the demand is only for a short period of the year, perhaps not over a month, and is so marked that almost any one may be considered wise enough to heed it in making purchases; and would know enough not to replenish the stock of scythes when the mowing season was near over, or of skates when the ice was breaking up in a March thaw. Many other articles have such periodical cessations in the demand, and it may be wise for a retailer to conclude that all the articles he sells have more or less of this variableness. Besides which, the most of them have periods of increased or deficient supply, and consequently a less or greater price, depending upon the supply. If to these two we add the influence of fashion on dress, furniture, equipage, buildings, even on food and its method of preparation and setting forth, whereby sudden and capricious demands are created for certain articles, which demands are liable to cease as suddenly and capriciously; and also the influence of the invention of new contrivances or conve-

niences which are brought into use, and supplant the old articles kept for sale, it will readily be seen that a retailer, who would be successful, has several things to think about, before he goes forth to replenish his stock, and that a simple re-purchase of more of the same goods he has sold out, is not all that is required.

A retailer should carefully notice these periods or seasons for the sale of each article he keeps, and the corresponding periods when they are not in demand, as also the periods of supply when he can buy them to the best advantage, and be so familiar with the subject as to know at once whether it is proper to replenish or not. There is sometimes a tendency to make unseasonable purchases, among very timid (and they are generally regarded as very prudent) buyers. While an article is in demand they buy so sparingly that they are half the time out of it. At a later period, when the season is near its close, and the article on that account is offered at less price, they for the first time purchase a full assortment, to find, when it is in store, that the season for the sale has passed by. On the other hand care must be taken not to let the variety run down unduly low. Some dealers, because the busy season in some kinds of business—especially in dry goods—is divided into two periods, the spring and fall, suffer their stocks to run down so low, even on staple goods, as to be unable to supply the demand of the intermediate period. A little relaxation from a strict rule in reducing stock may be permitted even where it may be thought not directly profitable, for the sake of retaining customers.

The most thrifty dealers now find their advantage in keeping up a fair assortment of the more staple kinds of goods the year round. An assortment, however, not so remarkable for its abundance as for its selection. This is

a great point to be observed. It often happens that a retailer has not found his sales of some articles meet his expectations, and the goods that should have been sold early in the season remain on hand towards its close. He feels that his stock is too large for the coming dull period, and as he can not reduce it sufficiently by selling off the goods which belong to the season more especially, he suffers the more staple goods to run down in assortment so as to get the stock down to his calculations, often losing thereby a great deal of trade. Such a course is very unprofitable, and even though a retailer's stock may be too large in unseasonable goods, he should be careful in reducing it in such staple articles as are of frequent demand. It will not do to cease entirely in purchasing, as is often done, but to buy with discrimination; meanwhile reducing stock in the articles that are unseasonable, if the dealer can not afford to hold them until the season for their sale again comes round. He may do this by offering them at cost, as being out of season. A low price will sometimes tempt customers to buy an article months in advance of their need of it. There is no way by which a dealer can keep himself informed about his stock, and the necessity for replenishing it in any particular article, or the duty of refraining therefrom, so well as to be much among his goods in selling them, and as he notices them from day to day in his store room, to consider whether the season for their sale is not passing away, and therefore the propriety of urging the sale of what he yet has of them, and the risk of buying more when these are all sold.

In every well regulated retail store a memorandum slate or list is kept conveniently at hand, to note down such articles as are out, or nearly so, or such as may have been enquired for, and never kept, if in the line of the busi-

ness. This memorandum might be advantageously made use of to keep a note also of articles that seem to be in unusual demand, particularly where they are such goods as are likely to be in scant supply on account of this large demand, and which may be advanced in price, or perhaps unattainable if left later.

It by no means follows that the dealer is to buy all the articles that may thus find their way on this memorandum. It is for him to consider and discriminate what may be profitable to buy, and what not.

The dealer's success in business will depend in a great measure on his ability to make this discrimination. By a view of all the peculiarities of each separate article, and the demand there is likely to be for it, he must shape his course, and according to his success in thus in a measure forestalling the market, will be his success in business. One dealer seems to weigh these matters so carefully and so shrewdly, that he always has the articles wanted in the season, at a reasonable price, and yet never seems to have an undue quantity when the season has passed by. While another dealer ever lacks goods to meet the popular demand, though he has his store room filled with unsaleable kinds of goods.

The two requisites for a dealer to guide him aright in such matters, are *forethought* and *decision*. A dealer ought to consider whether the article that suited his customers in the past will continue to do so in the future, and if he remembers that there were complaints about it, to further consider what there may be which will better supply its place. And having found it, either by his own observation, or by noticing that one or two of his more intelligent customers are inquiring about it, and have their minds turned to it, then decision will induce him to buy at once, before the whole world have found out

that the new article is superior to the old, and before any great demand has enhanced the price, or made the article unattainable. The dealer who has neither of these qualities is guided only by his experience of the past, and buys the article he has found saleable before. Consequently when the demand for the new article is first slightly felt, he is in no situation to purchase, as he has a stock of the old, and even if he succeeds in selling that eventually, his indecision induces him to postpone the purchase of the new. He is not sure yet that it will sell, thinks it may possibly be only a capricious demand, and if he buys freely of it at all, it is only at the tail end of the season, when the price has fallen again.

There is of course a risk in dealing in goods of such changeable price and demand, but they are, as a class, goods that pay large profits to those who are prompt to take the risk. To the retailer who comes in actual contact with the customer, the risk in buying such articles need not be so great as would be supposed. By purchasing a small quantity of those which seem from their qualities to give promise of being saleable, when they first come out, he has the chance of experimentally testing the desirableness of the goods with a few customers. If the right class of these like the goods and buy them, even though in limited quantity, the dealer may pretty safely venture to purchase more freely.

There is, however, a chance of loss, which must be guarded against, where the goods, on account of being new, are held relatively much above their value. An increased demand may induce other parties to go into the manufacture of them, which tends quickly to reduce the price. The retailer must judge of this risk, after taking into consideration the readiness with which the production of the article can be increased, and the probabilities

that the price, though relatively high, may not be so high as to induce many to go into the manufacture, and limit or increase his purchases accordingly. Ofttimes retailers forbear purchasing articles of the variable class of goods which depend upon fashion or style for their successful sale, by governing their purchases too much by their own prejudice or taste, and not enough by the taste of the community for whom they buy. While a dealer should be largely governed by his own personal appreciation of any novelty in the first instance, it is not well always to decline buying any new fashion merely because it may not please his own taste, when he sees others are pleased with it. "It does not suit my fancy," has often been the reason why a retailer forbore to purchase a certain article; though he knew his customers were asking for it, and buying it in other stores.

Again, "I like it, and I will make it sell," is just as foolish, when it is the inducement to buy largely of any article, which his observation should have taught him would not strike the fancy of his customers. A merchant has no business to have a fancy for any thing but what his customers like, and which they will buy.

It is sometimes a fault with retailers, in country localities, where there are few or no other stores, that they try to keep a little of every thing asked for. Indeed, some pride themselves on having every thing in their line, "from a needle to an anchor." This may not be amiss, and quite a convenience for the neighborhood, when the dealer can afford it, but it is not profitable. The author knew a country retailer, years ago, who had an application from an old-fashioned customer for green camlet for a cloak. Notwithstanding that the article had been then several years out of fashion, and only occasionally seen in some old weather-beaten and faded mantle,

the dealer purchased two pieces of different qualities, to have an assortment. He sold of one piece some five or six yards to the customer, and the balance of his purchase remained unasked for on his shelves, till sold at auction on closing out his business, many years afterward, at about one-half the original cost. Generally one such lesson will suffice to teach a dealer that he can not with profit buy everything that may be asked for.

The customer will ordinarily be just as well accommodated by the purchase of the exact amount or quantity desired, and even though by buying in this way, the dealer may make no profit on the transaction, it is still preferable. Sometimes this profit is the temptation inducing the dealer to purchase more than he intended, because he gets it cheaper by taking the quantity, but such gain will turn to a loss in the end. When next stock-taking time comes round, and the quantity on hand is inventoried, the dealer would often give twice his profit on the part sold to get rid of the balance.

When the retailer does business at a distance from the locality where he buys his goods, it is often more advantageous to him to order such goods as he needs to replenish his stock by mail, than it is to incur the expense of a personal visit, taking also into consideration the loss his absence from the business for the time might cause.

This method of obtaining goods is not so popular in this country as it might be, mainly, it is believed, from want of care in writing out the details of the orders. It used to be the fashion, years ago, for the wholesale dealers to print conspicuously at the heads of their invoices, "all orders particularly attended to," or some equivalent phrase, which is much out of fashion now. And as orders are generally written, the most of the dealers would prefer never to receive any except for goods of standard make.

The order generally is either so closely restricted, or for such desirable styles of goods as are out of market, that the wholesale dealer can not fill it; or it is so vague that he does not know half the time what to send, and on that account sends such goods as he has in stock, which are often only the refuse of the season's sales—and either way the retailer is disappointed and disinclined to try ordering again.

The order in the first case would probably read, "send 12 ps. Sprague's prints, same as pattern enclosed, at 12½ cts, assorted colors, but no purple ground." And though the wholesale dealer has the twin brother to the "pattern," yet he has not the same, or if he has, the price is raised to thirteen cents, and he has learned by experience that he has to pay express charges back on goods when they are not in accordance with the order, and so writes that he cannot fill that part of the order.

In the second case the order reads vaguely:

"Send 12 ps. Sprague's dark prints, assorted colors, new styles and pretty."

And he picks out what he thinks pretty, though the retailer is disappointed, because they are not such "neat little patterns" as he requires for his customers, but "great 'splashy' figures, with all the colors in the rainbow, besides being a cent a yard more than he expected to pay for them; and that satisfies him so far as ordering goods by letter is concerned for the future."

Now an order may be written, giving a large liberty of selection, and yet limiting the selection within certain bounds, when a retailer will take the trouble to do it. Suppose the same order written out and reading as follows:

"Send 12 ps. Sprague's dark prints, at 12½ cts. a yd., of the latest designs, assorted in about three or four different patterns, gay and bright styles, about

as sample marked 1 enclosed, and about that size figure; none smaller figure than sample 2, nor larger than sample 3; and if they are higher than 12½ cents send half of them of Sprague's, and half the best quality you can at 12½ cents."

This would take more writing, but it is worth the time it takes. When the wholesale dealer receives an order of this character, he has enough latitude to generally be able to fill the order, and yet send exactly what the retailer writes for.

Of course it does often occur that a retailer wants the specific article he writes for, for a customer, and if that can not be had wishes no other, the customer's want being as well supplied—if that special article can not be had—from other goods in the retailer's stock, as it would likely be by any different article sent to fill the order. In such a case it should be always specially mentioned, that if the precise article ordered can not be sent, no substitute is wanted.

It is sometimes very advantageous to the retailer to write for and obtain samples of certain styles of goods, out of which he will select what he likes to give an order for. One drawback to this plan is, that in the busy season, when everything is active in the wholesale market, in the few days time which would ordinarily intervene before the order got back to the wholesale dealer, the goods would be all sold off. The telegraph can be used sometimes to shorten this intervening time, and when it is intended to order by it, it should be mentioned in the request for samples, and directions given to number the samples, and keep such a record of them as that they would know what goods are wanted when the number is sent. When the order is by subsequent letter, it is always well to give a little option, if possible, in filling it, as

some of the goods may have been sold in the interim.

Sometimes an arrangement can be made with a wholesale dealer, that such goods as he may send on an order of liberal scope, which do not please the retailer, may be returned at the latter's expense. Or in some cases, when the wholesale dealer is unable to send anything near what is ordered, he will send a variety of goods the nearest like he has in stock, giving the retailer the privilege of selecting out what he pleases, and sending back the balance at his expense.

The only objection to this is, that sometimes the wholesale dealer, in his desire to get rid of his stock in filling the order, does not take the trouble he otherwise would to look for and get just such goods as are ordered.

CHAPTER XIV.

SETTLING FOR PURCHASES.

AS very much of the retailer's credit and standing among wholesale dealers will depend upon his manner of settling for his purchases, it may not be amiss to devote a few pages to that subject.

Although it would seem more business like for the wholesale dealer, in giving credit, and especially as he renews it from time to time, to know that the retailer is conducting his business on correct principles, and that he is fully acquainted with the goods he deals in—buying only those which he has a good prospect of selling, and selling, too, at a fair profit—that he is, in short, a careful, prudent and intelligent business man, with sufficient means to himself bear any ordinary loss in his business, than to depend simply on the one criterion of promptness in paying; still we must take things as they are, and not as we think they should be, and it may be that experience has taught the most of the wholesale dealers that irregularity in payments, by a retailer, is a pretty sure indication of some radical defect in his business qualification. The person who attends to giving credit in many of the large wholesale houses—the financial member of the firm, as he is called—or his especial deputy or clerk, has often very little opportunity to learn by personal intercourse with the retailer, anything about his general business qualifications, except in respect to his settlements for purchases. This being the only part of the business intercourse which comes directly under

his supervision. Consequently when a retailer once obtains a credit in such a wholesale house, the confidence of this financial member continually increases in him if he uniformly makes prompt settlements, according to the terms. Many a retailer is able to do this for years, though doing business at a loss all the time, and on the other hand, sometimes perfectly solvent retailers are found, who either from carelessness or disregard of its importance, half the time fail to pay their bills at maturity—allowing their notes to go to protest with very little concern.

The custom of requiring the retailer's promissory note in settlement of a bill of goods bought on credit, is found so advantageous to the wholesale dealer, that it is now almost uniformly required; and a beginner in the retail business will find it almost impossible to obtain a first class credit without conforming to the custom. There are yet to be found a few old and substantial retailers, who were in business years ago, before this usage was so general, and whose credit is well established, who are known to be so responsible that they can obtain goods on credit, and are courted for their custom, even though they refuse to give their notes.

But it would be regarded as a sign of weakness in a man just commencing, to refuse to give such notes. If the credit is given after such refusal at all, it will be only because the sale is in some way specially desirable to the wholesale dealer. He will place but little reliance in the debtor's punctuality, and will consider that the undertaking of the debtor is to pay at maturity if convenient; and if he should not, he expects to wait a reasonable time longer, till the debtor finds it convenient; or relies on his ability to enforce payment at maturity.

There is always one exception to this: whenever the re-

tailer is able to say and fulfill his promise, "I don't give notes for my purchases, but will at any time give you the cash with the current rate of interest deducted," he may stand on a par with the dealer who gives notes. Unfortunately there are but few who commence the retail business with sufficient capital to warrant them in making such offers.

A retailer will find it to his advantage to conform willingly to such well settled usages of the trade, and give notes, and govern his intercourse in accordance with the rules of the house in which he purchases. The knowledge that notes are to be given for a contemplated purchase, and that they must be paid at maturity, will tend to make him more cautious as to the amount of goods he buys, and that he buys only such as are sure to sell promptly. Such customs, therefore, tend in a measure to his own advantage, as he is not so likely to buy what he does not really want, or in excess of his wants, as when he has not the necessity for caution so forcibly impressed on his mind. When he buys on open account there is an easier feeling, it does not seem so important to be careful in the selection of his goods; if they are only cheap enough they will sell sooner or later, and if not all sold when the bill falls due he will take a little extra time on it.

Through this method of buying, dilatory habits in paying are engendered, till soon the retailer falls into the way of buying without any special regard to the maturity of his purchases, or to his ability to pay for them. He pays when he is dunned—if he has the money—becoming yearly less and less sensitive about the dunning. His business falls into confusion, and even though he may be abundantly solvent, his credit becomes impaired. Those who have hitherto sold to him, do not care to continue selling, except they get increased profits, or can put off

on him old and undesirable styles of goods, and he has not a record, which, when he gives a reference, will get him into credit in new houses. Indeed, without a radical change in his system of business, he would buy no cheaper or more favorably in new houses, so soon as his dilatory habits are known, than he does from his old creditors.

Such experiences are sometimes encountered by men who are abundantly solvent, who have employed too much of their capital in some outside enterprise or investment.

Whatever changes from the regular known terms of credit in the house in which purchases are made, may be desired by the purchaser, should be applied for before the purchase is made. When some unforeseen or unexpected circumstance has occurred after the goods are purchased, making a change in the terms desirable, it may, without objection, be still applied for, so long as the goods are yet under the control of the seller, and he is free to grant the buyer's request or retain the goods. When they are once under the control of the buyer, such changes must be asked for as favors; before they are business arrangements, wherein buyer and seller stand on an equality. If the seller does not like the proposed change, he can refuse it, and the purchase can be annulled. After the goods have come into the buyer's hands, it is better for him to come squarely up to the agreement, and give his notes according to the terms, even though he may have doubts about his ability to meet them as given. At the worst, it is then only a future probability, and persistent effort may overcome the difficulty; and even if it does not, and the retailer has to fall back on the holder of the note at maturity for aid to carry him through, it is less objectionable than the other course would be.

Such a reasonable request as to divide the purchase

money into payments of the same average time as the terms, might be applied for at any time. As where a bill of \$1,000 has been bought on six months credit, and it is found that so many other smaller purchases have been settled for by six months notes, that it is feared the payments at that period will be too large, a request to give two notes of \$500 each, at five and seven, or four and eight months, will not be out of place, and will often be granted, to the great convenience of the retailer. A request for two or three months extra time might well be thought an unreasonable one to make after the goods are delivered.

Too often all such contemplated changes are left by the buyer until he gets the goods in his possession, when even to apply for an increase of time is regarded as a greater sign of weakness than it would be to ask aid in taking up the note at maturity. A perfectly solvent and responsible man may be so far out in his calculations as to be short of money to meet his note at its maturity, and prefer, as the least of two evils, to ask his creditor to extend it, rather than to borrow from his friends, or ask them to endorse a note to raise the necessary funds.

Having given out the notes in accordance with the terms, or where the purchase is on open account, it becomes now the retailer's duty to give his attention to making preparation for payment at maturity. If the instruction set forth in the previous chapters of this book, in relation to founding the maturity of the credits and the amounts thereof, on the receipts from the sales for each month in the year, has been strictly followed, and in the calculations enough margin has been allowed for contingencies, there will be sufficient money received from the sales to make the payments as they mature.

Should it sometimes unfortunately happen by a miscalculation, that a note is maturing at a period when the expectations from sales are not realized or likely to be, and no arrangement can be made to raise money temporarily on a loan, or without unreasonable sacrifice, and the debtor is satisfied that beyond a doubt he is solvent and can meet his payments with the necessity of only the occasional indulgence, a good plan is to apply directly to the creditor holding the note for a temporary loan or a renewal of such part of the note as he is unable to pay. This application should be early enough to avoid a protest of the note, and the money for the part paid and the new note for the balance should be forthcoming before the note matures. It opens the way to a bad habit to suffer a note to be protested, or held over when it can be possibly avoided.

In all cases, when such a favor is solicited, or from any cause any extra time is taken, interest for the time should always be added in making payment. It is not a pleasant way that dealers sometimes have, when such a favor has been granted, to say, "I will pay you the interest if you wish," with a look and tone that says plainly, "you ought not to wish it." Unless the wholesale dealer is one who insists on strict obedience to business rules, by those he deals with, at the risk of being thought illiberal, he is very apt to say, if the interest is trifling in amount, "it is of no consequence," even though he thinks that gratitude ought to induce the favored party to pay without hesitation.

Most generally, an occasional favor of this kind, when the interest is cheerfully and readily paid as though the favor was appreciated, will be granted with pleasure, and without any particular disparagement to the retailer's credit. In truth, occasional instances of this character

sometimes induce greater confidence in the debtor, in showing his honorable appreciation of favors, and his systematic way of doing business. Men fear to give credit more from danger of a bad heart in the debtor, than they do from a weak head. They are pretty generally willing to take a reasonable risk, if they can only feel sure that the person they credit will be honest and do the best he can under the circumstances; and when he can not pay promptly, they prefer to help him. A debtor who craves such favors, and then shows his want of honest principle, by subtle efforts to evade paying the interest, loses—if mercantile standing could be valued by dollars—a hundred times more than the interest in question.

These little, or comparatively little, matters show the retailer's character. Another small one often has great influence—that of discount on uncurrent money, or exchange on a note or check, payable at some place more or less distant from the place where the debt is created. Sometimes, after much wrangling and ill-feeling, the wholesale dealer may accept the currency or the check, and the retailer has thus "shaved" him out of the amount of the exchange, but if he could know at what a loss of reputation he has made the amount in question, he would hesitate before repeating the transaction. Possibly a retailer by such petty meanness may make fifty or a hundred dollars a year, but it is done at such a loss of character that he finds few honest men envy him his reputation or money either.

The retailer who has with due caution left sufficient margin for contingencies, in all his calculations of the relative amounts and periods of purchases to his sales and collections will often find himself in possession of money in advance of the maturity of his payments. This is a

great trouble to some weak minds—to have too much money. The difficulty may be surmounted in a bad way, as some do, by using the money to speculate in wheat, cotton, wool, or other produce; or by the purchase of corner lots in some embryo city in Iowa or Kansas; or by lending it to a neighbor, who is “hard up,” at a high rate of interest; or even in buying lottery tickets: all pretty sure ways of investing it so permanently that the owner will not be troubled with it again, nor get it back to pay his bills when they are due. A good way to use such a surplus, is in anticipating the retailer’s own indebtedness, and making something by the discount. There is scarcely any use to which a solvent man can so profitably put any spare cash he may happen to have, as in paying his debts whether they are due or not. People who have not had much experience, sometimes think the comparatively small discount they get bears no comparison to what they might make by some temporary or speculative investment, but mature experience teaches otherwise. When one owes nothing, the money which he may have on hand is his, to do with as he pleases, honestly, of course. But when he is in debt, he should remember his creditors, and their claims.

When a retailer is prepared to anticipate some of his payments, it will be proper for him to consider whether he shall discount those soon to become due, or others more remote. The rate of discount will generally be greater the farther the day of payment is off, and the temptation will often be to get the greatest discount. If this course is adopted, it may turn out that he will be short of funds to meet the claims falling due earlier.

It becomes necessary, therefore, to notice how it happens that the cash is in surplus, whether it arises from the natural profits or increase of the business, or whether

from some of the sales or collections, or both—being made earlier than was calculated. In the former case he could use the surplus cash to discount wherever it would be most to his advantage. In the latter, he would have to fear that the sales or collections in the following months would be short just in proportion as they were over in the then recent past.

If, for instance, a dealer should make his estimate of \$3,000 as the probable amount he would sell in the coming month of April, and should create an indebtedness falling due that month, which, with current expenses, would about require the \$3,000 to cover, an unusually early spring might cause a demand for his goods in March, so that \$1,000, of the \$3,000 to be sold in April, are sold a month earlier, and at the end of the month of March he has the \$1,000 in surplus of his payments. But it would be very unsafe under such circumstances, to use it to pay debts falling due in June or July, as the sales would very probably fall off in April, and he would therefore not take in enough to pay his April indebtedness.

Sometimes, though, it might be safe to conclude that the whole season would continue to be in advance of calculations. Of this the dealer could judge by looking over the character of the goods then selling, and comparing them with the sales of former years, and noticing whether certain classes of goods were sold to the same customers, in advance of the time when they were sold to them in previous years.

If no difficulty of this kind is seen, and the anticipation of receipts of money for the next month or two seems likely to be realized, there is nothing that should prevent the dealer from discounting wherever he can get the greatest interest off.

It is always, however, a matter of commendable pru-

dence, to accept one or two per cent per annum less discount, and take up the nearer indebtedness, so as to be on the safe side. There is another matter that should sometimes govern the selection. The dealer may be buying more heavily than usual of some houses, or may desire soon to buy more goods of them, and know that his limit of credit there is reached. It would be good policy to select such indebtedness in preference to others from whom he is not likely to want more goods before their bills regularly mature. As these larger creditors are apt to be the ones who have known him best, and sold him goods at the lowest prices, whereby he became for his own profit more largely indebted to them, it is often the case that they are unwilling to give him so large a discount for pre-payment as others can afford to give who have charged him the higher prices. But this should not influence the dealer to pass them by in discounting his paper. It is better to deal so as to retain old friends, than to merely secure new ones.

CHAPTER XV.

ON THE DEPRECIATION OF GOODS.

IT may be taken as a general principle that all the goods comprising the stock of a retailer depreciate in value from day to day, and therefore from the mere delay in disposing of them losses will occur. There are, of course, some exceptions to this general rule, but the retailer should wisely adopt it as his rule, and sell off his goods as quickly as possible, nor think that any thing will appreciate in value by keeping it for a time longer. This depreciation is the result of diverse causes: the decay of material, the fading of colors, the "moth and rust which corrupt," is inherent in all that man produces, and are the instruments of a large part of this depreciation but in addition to these, the progressive science and invention of man yearly discovers and invents new processes and new methods by which the same quality of goods is more cheaply produced, or a better or more desirable article for the same money, and through which the former manufacture is made less valuable. Fashion or the love of novelty and change also has a great influence on the value of many articles. Ordinarily retailers do not sufficiently regard this depreciation. Old goods—soiled, faded, tarnished, rumpled or out of fashion, because they cost six months before, or perhaps still longer back, a certain price, are held at the full original price, when there is, owing to these circumstances, a depreciation of possibly one-fourth their value.

The consequence is, that such goods instead of being

sold off are suffered to remain season after season, eating themselves up in interest, a hindrance, too, to the purchase of other goods for similar uses, which would sell at a profit.

Perhaps one cause of this retention is a disposition on the part of the dealer to consider too much what he is pleased to call the *intrinsic* quality of the goods, or that quality which enables them to subserve the purpose of their manufacture in the useful or practical part. Forgetting, that in this age of the world there is hardly an article in use, that in addition to its mere quality of usefulness, has not something added to it by way of embellishment to please the eye—some addition of finish, color or ornament, not absolutely necessary to its use, and yet which the buyer would not dispense with without a reduction in price. A piece of cloth, which by exposure has lost its lustre, and its freshness of color, may still be just as warm and durable when made into a coat. But it has lost in value by the loss of these. How much the loss may be will depend upon its quality. If it is fine, the lustre and color are very essential parts of its value, as without these it could not make a handsome coat. If of coarser fabric, and originally only designed for making a warm, durable garment, it has lost much less; though as before remarked, this quality which may be termed the *ornamental* part, in comparison with the other quality which is often called the *useful*, is inherent in some degree to almost every thing in which a retailer trades.

In some goods intended for ornamentation, the value lies altogether in this fancy part, and yet it is not unusual to see such goods in retailers' hands, devoid of all beauty by reason of their age or exposure, still regarded as nearly of their original value, because forsooth the material is just as durable as at first.

There is nothing that will depreciate so rapidly as such ornamentation when the fashion changes. Of what proportional value as compared with their original price would the wide hat-bands now have, so universally worn on the Kossuth hats twenty-five years ago; or the heavy, gimp and cord fringes worn on ladies' cloaks thirty years ago; or the antique glass pendants to the chandeliers still seen in some of the old churches? Probably not one-half their original cost, and really not worth anything except some other than the original use could be found for them. As, if they should be used for ornamentation on any modern article, they would tend to decrease the value of the article rather than increase it, as was the intention in their original use.

There are hundreds of other articles, especially those connected with dress—such as bonnet ribbons, dress trimmings, fancy neck ties, ornamental buttons, frogs, etc., in which the depreciation, though it may not be so extensive, is still great.

Fashion is, after all, only the exercise of the natural desire of the human breast for something new and more beautiful—the same disposition, we may suppose, that animated the Athenians eighteen hundred years ago, who as Saint Paul tells us, were continually seeking to hear or to tell some new thing. Hence there is a close relationship between the losses on old styles by the advent of new fashions, and the losses by the introduction of new articles of useful character, which on account of their advantages over the old, in point of convenience, durability or simplicity, supplant the older, which continue to encumber the retailer's shelves, greatly to his loss.

Take as an instance the changes occurring within thirty-five years in the artificial light used in private families. For a long time prior whale oil was in use,

with suitable lamps for that article. Then lard and lard oil came into use, requiring a different arrangement of lamp. Then camphene, with another style of lamp. Then followed burning-fluid with another. And lastly coal oil with still a different kind of lamp. These changes are not alone. In most instances there have been various improvements in the lamps used for burning the same article. Each improved lamp of course largely depreciating the value of those before used.

This is but one instance, perhaps an extreme one, of the depreciation which a retailer's stock is subject to from the discoveries and inventions of the age on a class of goods too, which might ordinarily be considered of stable character. Who now buys at anything near the original value the old-fashioned, two-pronged, ivory-handled table forks, brass door knobs, knockers, or the many other things of like character that are sometimes still seen on retailers' shelves?

The causes or origin of this depreciation may therefore be properly and conveniently divided for consideration under the three heads, viz:

1. From the introduction of improved articles better suited to supply the demand or want.
2. From the change of fashion.
3. From decay, rust, corruption, etc.

Generally the first of these influences is not difficult to guard against. This change from the use of one article to another by the community, is quite gradual. If the dealer has any reasonable perception and judgment, he will notice the change going on, and avoid purchasing the older style of goods timely enough to dispose of all he may have of them. Too often though there is a temptation to make another purchase, because some customer who has not seen the advantages of the new style, still

asks for the old. If this new article is a real improvement on the old one, the dealer can by pointing out the merits of the new, generally induce his customer to purchase it in preference to the old. Sometimes, too, there is an inducement to buy the old style, because it is offered cheaper. The wholesale dealer who sees the tendencies of the trade, being desirous of selling off his stock of the old goods, reduces very materially the price, and without much reflection on the reason why the price is reduced, the retailer buys largely; too much so, for his ordinary sales, but far too largely in view of the circumstance that the article is being supplanted by something preferable.

It would be better at such times for the retailer to reduce the price of what he might have of the article in his stock, so as to sell it off before the introduction of the new becomes so general that he will be unable to sell, except at a much greater reduction. It is better even to risk the loss of a few sales through not having the old goods, than to have them and lose by not being able to sell them.

Losses through changes of fashion are more difficult to guard against. The operations or workings of the fashionable whim are so unexpected and sudden often, that it might well puzzle the wisest to foresee them. Nor will it be expected that entire immunity can be obtained.

The best general rule is to cut short the loss as soon as possible after the fashion changes, by selling the goods at once at the best price they will bring. There is generally a short interval between the first introduction of a new fashion and the entire going out of the old, and a reduced price is often an inducement for some customer to still prefer the old.

In articles of dress especially, which usually change more or less in style at every coming season, there will

always be found some persons who, either not having the means or the inclination to purchase the new style, continue to wear the old.

This circumstance retains for the old style in the retailer's hands a partial value, greater or less in proportion to the comparative numbers of the community who continue to use it. But the season following fewer will be found wearing it, and every succeeding season shows still fewer, until at last the old garments are worn out; and in the mean time the goods, if any are left in the retailer's hands, have become comparatively worthless, as from their antiquated and odd appearance no one will buy them.

The great aim of the dealer should be to sell off all such goods the same season in which they are bought, even if toward the season's close they have to be sold at cost; and that too even when the dealer may think that there will be no great change in the fashion for another season more. When there are already indications of a change of fashion for the next season they should be sold at less than cost, if necessary. No matter how great the reduction seems to be, the loss will not be so great as it will be if they are kept over until the next season.

When a dealer finds himself with a variety of styles of such goods that are going out of fashion, and the quantity is too large for him to expect to sell them all the same season, and he can not profitably exchange them in the wholesale house where he purchased them, for other goods, it is a good plan to select out some of the varieties wherein the special fashion is least prominent, and pack them away carefully out of sight, keeping exposed only so many of the most ultra fashionable as he can dispose of during the season. These he can make special efforts to sell off, and when the next season comes

round the reserved portion when brought out will look fresher and better to the dealer and his clerks, and that is a great part of the work of making them saleable. If they are brought out with the incoming of new goods, they will often be accepted as new goods, and the chance of a ready sale is much increased over what it would be if the goods had been kept open to view and frequently seen by the customers during the previous season; and by such exposure, in addition perhaps, become somewhat shopworn or faded.

Such fashions or styles of goods as really are graceful and becoming to the wearer, may be relied on to continue longer in vogue than those which have no such advantages. Thus in colors, light green, light blue and pink, and all light shades of red, are becoming to a *blond* or fair complexion; and orange and shades of yellow give an unpleasant reflection. While to a *brunette* orange and brownish yellow are becoming, and the more delicate colors above mentioned are productive of disagreeable contrasts.

Accordingly, therefore, as the wearers in any special locality, or those among them who more especially lead the fashions, are blonds or brunettes, will certain colors continue longer or shorter in vogue in that community.

It is a noticeable fact that persons who dress in colors other than white and black, seldom repeat in the purchase of a new garment the color of the old. This arises partly from a love of variety and partly that their acquaintances may notice that they have a new garment, which they might not when the color is the same as the old one. When, therefore, any special color has been worn so generally that every one seems to have had a supply of it, it is not good policy to purchase much of it the succeeding season. Nor is it likely to be in demand until some time

after all the old garments are worn out. The retailer should take pains to sell off all such colors as have been thus some time in fashion, especially if they are of irregular and unusual shades. Clear, definite colors, as blue, green, purple, brown, etc., always sell more or less; but there are often intermediate shades of color that are brought out, and look very well while they are new, that, after being worn for a season or two, fail to please longer, and are discarded forever. A year or two after these colors, which were regarded as very beautiful when they first came out, look very odd and distasteful, and can not be sold except at a great sacrifice.

A retailer must not, however, too hastily decide, because a certain color has prevailed extensively for a season, that it will not sell the next. Much depends upon the class of customers he has, or perhaps rather the variety of classes.

The adoption of any new color in the fashionable world is first by those who purchase only the finer quality of goods. Generally there will be only a limited quantity of these fine qualities, and many who desire the color, but can not afford it in such expensive goods, will purchase it the next season when it is reproduced in inferior qualities for the general trade. The supply may not even be adequate to the demand the second season, and on that account it will sell the third season. When a retailer notices that his less fashionable customers talk of being "tired of seeing the color," he may regard it as an indication that its day is passing away.

Changes of style in form or fashion of any article are governed by similar rules as the colors, and as the article is convenient and comfortable in the use and graceful in form, it will be retained in vogue longer than when it is of the opposite character.

The last cause to be noticed for depreciating the retailer's stock, is that which arises from its perishable nature. In some kinds of business this may be a very serious risk, but ordinarily it is one which may be much reduced by the care and attention of the proprietor. The extent to which a retailer loses by these causes may be very appropriately taken as a criterion of the attention he gives to the details of his business. If goods are permitted to remain exposed to dust, light, frost, water, moths, vermin, etc., which may be injured thereby, or care is not taken to protect against chemical changes, as souring, moulding, rusting or the like, the losses in this way will be quite large in the course of a year. Even with the greatest care and attention there will be considerable loss. Any dealer who will for one year keep an account of the losses he incurs in this way, which losses are often covered up or lost sight of, by a sale of the article so damaged at a reduction, but still not below cost, will find that the matter is of more serious importance than he has been wont to suppose. Although the loss may not be felt so heavily when an article costing a dollar and which ordinarily retails at one dollar and twenty-five cents, is sold at cost, on account of some such damage as mentioned, it is none the less a loss of twenty-five cents. When any damage of this kind occurs to the goods, it is good policy to sell them off quickly, making the loss at once. There is too often a hope that they can be sold by and by without much reduction, and in the mean time they taint by their presence the character of the whole stock. It should be remembered that the damage generally appears greater to the customer than it does to the owner. A prompt realization of the extent of the loss is more likely to have a beneficial influence on the dealer, inducing him to guard against the danger another time.

The methods of guarding against such damages are so various and generally so well known that it is hardly worth while to take up the space necessary to present them, and the time of the reader to read them. The same character of injuries occur in the private household, and every experienced housekeeper knows how to guard her stores from such calamities. The difficulty with the trade is more that the extent of the loss or the imminence of the risk is not duly appreciated and promptly guarded against, than that there is any ignorance of the way to guard against it. A habit attained of attending to such things at once when noticed, instead of the dilatory way of leaving them to be looked after to-morrow, is of immense importance, and is a great step in lessening the losses. A bucket of brine put to-day on a barrel of pork, together with the stoppage of the leak in the barrel, may save a considerable sum, which would be lost if the work is left for that "to-morrow" which seldom comes.

A few cents spent for good, stout paper, or for muslin for wrappers for the protection of delicate goods from dust and light, is often money well invested. A simple and inexpensive muslin shade to a window, to be drawn down when the sun's rays enter too fiercely, and curtains to protect the goods from dust when the store-room is being swept, are worth a hundred times their cost in protecting any goods which these may injure. In short, keeping the eyes open and using common sense is about all that is required.

The tendency to deterioration by lapse of time and necessary exposure in selling, is so great on many articles that it is always desirable to keep this risk in view in purchasing, and to buy no more than can be disposed of before the deterioration can take place.

It will be noticed that the losses mentioned in this chapter are all less likely to occur when the articles kept for sale are promptly sold off. And one way, therefore, to avoid some of this risk, is by attention to that subject. Whenever goods do not readily sell, the investigation should be immediate as to the reason why. They may be too fine in quality, and therefore too expensive for the customers—as costly silks in a rural community. They may be too dear for the quality—really worth, as compared with other goods, only seventy-five cents, when a dollar is asked for them. They may be superceded by other articles—as camphene lamps. They may not match what they are intended to be used with—as parts of a machine. Or there may be absolutely no need for them in that locality—as fur-lined gloves in New Orleans.

There are various ways that such things may be disposed of. If too dear, the price reduced, even though it leaves no profit. If superceded by other articles—sent to another locality where the article is yet in use, or altered so as to be made available. If too expensive, or otherwise not suited to the special locality, they may be often advantageously exchanged at the place where bought for others that will suit.

Attention given to the subject while the articles are newly in hand, and yet in the season for selling them, will generally open up some way to get them off, and the losses which would occur by leaving them six months or a year longer, will be often avoided.

CHAPTER XVI.

ON LOSSES BY FIRE, THEFT, NEGLIGENCE, ETC.

THERE is a class of losses which a retailer is subject to in common with the rest of mankind, that are not incidental to his business; some of which, however, he seems liable to in a greater degree than people in other occupations are, and it may not be amiss to consider them in a special chapter.

This will be therefore, to some extent, a continuation of the previous chapter, which treated of losses incidental to the goods or merchandise of the dealer, reducing their value, while this will treat of risks foreign to the goods he deals in, but which cause a total loss, and will suggest some of the best methods for guarding against them.

These risks are mainly of fire, burglary, shop-lifting, speculation, giving over weight or measure, and omissions to charge goods sold on credit.

With the exception of the first two, the losses are of a kind which beginners in business often fail to take precautions against, or make allowances for in their calculations, and it frequently happens with these, that when the year expires and the stock is inventoried and the accounts made up, the business, which by the estimate from day to day seemed so flattering, is unexpectedly found to have been unprofitable; or at least with a profit much reduced from the estimates.

The dealer's attention will be then, if never before, turned to the possibility of losses of the kind referred to as an elucidation of the arithmetical mystery—or the rea-

son why it is, that the two and two, which he has so carefully added together day by day, throughout the year, now turn out to be *three* only, and not four.

The most common supposition will be, that he has been "robbed" in some way. But how? or by whom? By customers shop lifting? or by clerks pilfering? Suspicion fastens on this one and the other; but superficial investigation does not solve the mystery. And here let me give a word of advice. Do not think it is a trifling matter that the year's business has resulted differently from the calculations. Future prosperity will greatly depend upon the discovery of the reason or cause for the discrepancy between the calculated and the actual result. Prove your estimate—make reasonable allowances, but not undue ones, for the minute variations from the calculations which will always occur in practical business—and if the difference can not be accounted for, depend upon it there is a leak somewhere, which prudence requires should be sought out and stopped. Never think such leaks small matters, which increased attention to doing more business will overbalance. If efforts are not at least made to close them, they will likely increase faster than the business does.

Losses which occur by fire and burglary there is no mystery about. It is only necessary to use the best safeguards.

Those which occur by fire are best prevented by guarding carefully the heating and lighting apparatus of the building, and the storing of inflammable goods or substances—these being mainly the avenues through which fires occur.

When the store-house is heated by a stove, the floor under the stove should be well protected by some non-combustible substance—as zinc, sheet-iron, brick or stone.

and any wood-work through or near which the pipe passes, should be protected in like manner. If it is warmed by a furnace, attention is required, in addition, to the hot air pipes or flues, which have been found the immediate cause of many fires. Philosophers have several times demonstrated that hot air can not set fire to wood, which is doubtless true, and yet notwithstanding fires will occur in connection with hot air flues. The best preventive of this result is to have the registers in the floor set in soap-stone frames, and to allow of no wood-work within one inch of the hot air pipes, and whenever any of the wood-work comes within even two inches of them, to protect the wood in such close neighborhood by a covering of tin or zinc.

Occasional attention should also be given to cleaning the hot air flues from pieces of paper, shavings or other matter of like character, which in sweeping the ware-room readily fall through the register and may be found lodged in the curves of the flue. Should a lucifer match be among such contents—as might easily happen, the usual place for any which do not readily strike fire being the store-room floor—a nice little arrangement for a conflagration is prepared, and ready to go into operation the first night when a full fire is left in the furnace with the draft on. It does not take a large quantity of such refuse when on fire, to heat the tin of the flue red hot, and it needs no philosopher to tell us that red hot tin will readily set fire to contiguous wood, even if hot air will not.

The proper period to attend to such precautions for protection is when the stove or furnace is first put in place, and when too often the mechanic who puts it up is left to be the sole judge of the measure of protection needed. The dealer should be cautious in getting this work done by contract, as there is danger of its being slighted. He

should himself attend to such protective measures, and be the judge of their sufficiency; taking care always to err on the safe side, and be well protected.

The danger of fire from lights is principally from using inflammable compounds for burning, as "camphene" or "burning fluid," and the occasional bursting of the lamps. Now that "coal oil" is in vogue, those dangerous fluids can be, with economy and safety, dispensed with, though even this requires some care in its selection to get a safe article. So much benzine is retained in the distillation, or subsequently added by the dealer to cheapen the cost, that it should never be used without first submitting it to some simple test to determine its quality. Any oil which can be set on fire by a lighted match is unsafe to use. A table spoonful warmed to about blood heat is sufficient for a test. If there is any benzine present a lighted match stuck into the oil will in two or three minutes at furthest cause it to blaze up over the surface like alcohol does under similar circumstances. And any oil which submits to such a test, without blazing, may be safely burned in a lamp. When the price of the coal oil is high and the benzine very low, there is a greater temptation to unprincipled manufacturers and dealers to adulterate the former, than when the prices are nearer alike.

When gas is used, the "pendants" and "branches" are so convenient for hanging many light articles on, that they are often appropriated to that purpose, or the goods are sometimes otherwise placed so near to the gas burners that a slight change of position of the burner, or a draft of air causes them to take fire. To prevent this, in the first place all gas pendants and branches in a store should be firmly fixed, so that they cannot be moved, and thus brought in contact with combustible matters while the gas is burning. The dullest boy in a store will gener-

ally have sense enough not to place goods in such a position that they will come in contact with a fixed light, but the most intelligent may in a moment of haste unthinkingly change the position of a moveable gas-burner, and place it dangerously near to the goods. And secondly, articles should never be hung on or near the gas pendants or branches; and any arrangement of wires or frames for hanging goods on, if necessary at all, should be so placed as that the goods hung on them are fully three feet away from the gas burners.

The insurance inspector would always do his duty to the companies that employ him, if he were to report as dangerous all retail stores where goods of light inflammable character are thickly clustered on cords, or otherwise, in close neighborhood to the gas lights.

Fires sometimes occur through the keeping for sale of specially dangerous articles, as lucifer matches, benzine, alcohol, turpentine, etc. Such goods are dangerous mainly when a light or fire is brought to their vicinity. It is therefore a good custom to adopt in keeping such articles, to place them all in one locality, and in such a position in regard to the permanent lights in the store-room, that all the operations of dealing them out can be readily performed at night without the necessity of a hand light. It is well too to so place them that there is no necessity to pass near them frequently with a light—in some corner, for instance, and then to encourage a feeling that that is a dangerous corner to take a light to. But this should not induce a dealer to put them down cellar, or entirely out of view, as is sometimes done, where at night they can only be dealt out by carrying a light, as this is really more dangerous than the open store.

It is not often, however, that a fire gets headway in a store during the time it is occupied. The spark or flame

in its embryo stage is then noticed, and that which in fifteen minutes would have been an ungovernable conflagration is easily extinguished with a wet finger. Hence it is always prudent as the last thing before leaving the store-house at night, to take a look through it after the lights are all out, for any stray spark which may be waiting like a mischievous clerk for the departure of the principal, to have a "grand flare up."

After all the care which can be used, to guard against the occurrence of fire, the crowning work must be to keep well insured. The risks which a dealer incurs from fires caused by the carelessness of contiguous neighbors or the ill-will of an enemy, can only be covered by insurance.

To keep *well insured* means not only to have sufficient insurance to cover at least the larger portion, if not all the stock of goods, but also means that it should be in companies which are able to pay, and in the custom of paying their losses without the necessity of a suit at law to compel them. Avoid all insurance companies whose names are frequently seen in the newspapers as defendants in law suits. Unusual care should be bestowed on the language of the insurance policy, that it fully covers the risk, and that there is no "proviso" or "exception" or "condition," which would debar you from recovering in case of a loss. It is not safe to accept the assurance of the agent or broker that "it is all right." So many new clauses are from time to time interpolated in the "policies" or "annexed conditions," that every one should examine for himself—carefully scrutinizing and weighing the meaning and scope of every sentence and word, both written and printed in the "policy," and the "conditions annexed," to see that all is there that he requires, and that nothing objectionable is interpolated.

Should he omit to do this, or to have any errors or language of doubtful meaning corrected, or to perform subsequently what may be required of him, as giving notice of other insurance, or of increased risk, he may open his policy some unpleasant morning when his store-house is in ashes, to find that he has insured his "hazardous and not hazardous" goods only, while by the "conditions annexed" to his policy, three-fourths of his burnt stock was "*extra hazardous*," and of course not covered by the "policy;" or that if he have "policies of insurance," in two different companies, and he has omitted to give each one notice of the other insurance, and have it endorsed on the "policies," neither company is liable by the "conditions," for the insurance money; even though possibly (as the author has known an instance of) one man was agent for both companies when the policies were obtained.

The insured should always give himself the benefit of the doubt adversely, and if any clause or language in the policy seems obscure or of doubtful meaning, he should construe or read it most disadvantageously to himself. If it will not bear criticism in this aspect, then he should have the language made more exact and definite. The true legal interpretation of any doubtful phrase or clause in the policy, may appropriately be referred to the legal adviser of the insured, whose special business it is to decide upon such matters, but the general scope and intention of the policy can not with safety be left to an attorney, as only the dealer can know exactly what he wants to cover by the insurance, where it is situated and whether he is actual and sole owner of the property insured. A policy may be perfectly regular and legally binding, and pass the inspection of a good lawyer, and yet through a wrong number to the store house,

or some other apparently trivial error, which was not within the lawyer's special province to enquire about or know, the "policy" is utterly useless as a protection to the insured. As a single instance of such small irregularities, the author once had a policy made out and sent to him, by an insurance company of high standing, with the insurance written out as on "*Dry goods not hazardous*," with the premium at a non-hazardous rate, by a special agreement with the company. Yet on turning to the conditions annexed to the policy, "*Dry goods*" were classed as "*hazardous*." Here was a trifling matter, which in case of fire, would have been sufficient for at least a technical, and perhaps a full legal defence for the company in any suit against them. At least sufficient for a costly and vexatious litigation, if the company chose to avail itself of the opportunity.

Against burglars, the best protection is a continued occupancy of some part of the ware-room as a sleeping apartment for some of the clerks, especially when the store is a detached building away from the dwelling of the proprietor. Burglars rarely try their skill on such places when so occupied, and then only where by observation they find that the inmates are off at unseasonable hours or for periods of undue length. Such rascals on the lookout for opportunities, quickly learn that certain evenings in the week—until perhaps a late hour—the store is unguarded, and they operate on such a night. When those who thus occupy the store at night are occasionally permitted to be away till a late hour, some arrangement to supply their place is desirable; and if that can not be, such absence should not occur on regular nights, but should be so irregular and uncertain that a burglar could not rely upon the absence on any special night.

It is a very common impression that when a burglar makes up his mind to break into a building, locks and bolts can not keep him out, still a good supply of such precautions, where other safeguards can not be readily or conveniently secured, will often deter a burglar from making the attempt. He may regard all the plunder he can carry away as not compensating for the trouble and risk. An ordinary window shutter with the common slide bolt is easily forced, but covering the inside of the shutter with sheet iron, and using a long bar across the window to fasten in the frame, either outside or inside the shutter, is a pretty good protection. A shutter of strong sheet iron fastened in the same way, is of course still better. An appearance of watchfulness will often deter a burglar who will on the other hand be invited by slight protections or a neglect of precautions. For this reason a padlock on the outer door is a bad precaution, as it gives notice that there is no one inside.

A light left burning so that the whole interior of the store-room can be seen from some convenient aperture in the front door, is an excellent precaution to repel burglars, especially in a town where people are occasionally passing along the street at all hours of the night. If a clock be prominently placed so that the time can be seen by looking through the aperture of the door, and this becomes generally known to the residents, it will often be consulted during the night by those passing, who desire to know the hour, and thus, perhaps, an hourly glance at the interior of the store will be made; making the place entirely too conspicuous for a burglar.

Watch dogs, if well trained, are a protection, though ordinarily not very reliable. Still, as they do not cost much to keep, they may be useful as an auxiliary to other means.

The losses which occur from shop-lifting and petty stealing, by those who visit the store in the guise of customers, is in some localities considerable. This class of thieves mostly depredate in stores where there is not much attention bestowed on the customers. When the business of selling is conducted as it should be, and the incomer is promptly met at the first moment of entrance, and attended to with perseverance and vigor, and not left to wander about the place in an aimless manner, from one article to another, losses of this character are not so likely to occur, as where business is done in an irregular manner. A little attention will soon enable a salesman to recognize such persons as he should be suspicious of, for this cause. As their purpose in visiting the store is to steal, not to buy, they do not interest themselves in the goods they ask for. There is generally an aimlessness apparent in all their questions concerning the goods; they no sooner look at one article than they want another, declining the first without any apparent or adequate cause, except that of turning the salesman's supervision away in looking for the other articles asked for, so that they may have an opportunity to steal. This class of people frequently operate in couples, and one does the stealing while the other diverts the attention of the salesman. The companion is never satisfied to remain inspecting the goods or hearing the negotiations, but wanders off apparently to inspect other goods which may be casually exposed, particularly if they are of a kind readily transferred to the pocket, bag, basket or other receptacle provided for carrying away the plunder.

"An ounce of prevention is worth a pound of cure" in such cases, and a watchful eye kept over all such customers, will generally succeed in preventing depredations.

This class of people do not like to be publicly known

as thieves, and hence are chary of exercising their propensities in places where they see they are suspected. For this reason it is not safe to disregard suspicious circumstances because it is thought the person is "above such things," "an old customer," or any like reason to quiet suspicion. There is always a beginning to such practices, and it may be for the advantage of the person against whom suspicion is directed, to nip them in the bud, if possible, by what might seem harsh suspicions, rather than by a blind confidence to allow such a tendency to grow into practice unheeded, and therefore unchecked.

In villages and country towns it is a common custom to place outside the door some of the articles kept for sale, as a sort of sign of the character of the business within, and these goods are subject to the depredations of a still lower class of thieves, if there can properly be any variety of class among those where all are base and vile. These street thieves are generally half their time in jail for petty larceny. Unlike the shop-lifters, who seem often ashamed of their conduct, these rather glory in their shame. Some localities are much infested with them. Where they abound, the best way to guard against their pilferings is to place but few or no goods out in the way mentioned, and to fix or fasten in some manner those that are placed out, so that they can not be readily snatched up. It does not need that they should be very permanently secured. It is also well to so place the articles that they may be plainly seen from the interior. This alone is often sufficient to deter the thieves from attempting to take them.

Losses occurring from the peculations of clerks and employees, are perhaps the most aggravating of any

which a dealer incurs. It is hard enough to lose by a stranger, but when those in whom we especially repose confidence prove unworthy, and rob us, it is doubly aggravating. Fortunately, like all other risks of loss to which the dealer is liable, this risk may be much limited by careful attention to the matter. With many persons, the moment a salesman or clerk's integrity is doubted, the first impulse is to discharge him; the very idea of having to watch those who are employed confidentially, and partly to watch others, and who ought, therefore, to be above suspicion, seems equivalent to a want of confidence in the integrity of the employee. If, however, the employer of clerks, and especially of very youthful ones, as retailers often are, would regard this watchfulness in its true aspect, as a means to protect and guard those under him from the strong temptations which frequently surround them to take the first step in wrong-doing, rather than simply as a means of detecting those who have not only taken the first step but possibly many more, they would see that there is no incongruity in closely watching the actions of one in their employment, in whom they are at the same time reposing great confidence.

"I can't bear to have anybody about me that I must watch," is the language or at least the thought of a great many dealers. The consequence very often is that the clerks seeing their employer indisposed to scrutinize very closely their doings, are led on from one step to another gradually, from what may seem only trivial matters to aggravated guilt. And at last when the employer's eyes are open, and he sees that something is wrong, and the honesty of the employee is questioned, without troubling himself to certainly detect and punish the culprit, he simply turns him off in maudlin charity to prey upon others, taking a new and untried person to fill the

place who has to go through the same temptations, and perhaps share the same fate eventually.

While it must be admitted that there are a great many abandoned and incorrigible thieves in the world, it may be questioned whether more than one in every ten became so except through temptation after temptation. Now restraining the propensity and withstanding the desire, and now yielding and overborne. And through this process of gradually sinking and struggling are at last buried so deep in the slough of iniquity that they give over their efforts to struggle out, and all hope of extrication and reformation is at an end.

Nearly every business man of mature years has personally known of individual instances, even if they have not occurred in his own experiences, and they are doubtless numbered by hundreds, where some thoughtless youth in a moment of temptation has purloined from his employer an article for his own special gratification or use, and which being found out, exposed him to public punishment. But his employer confiding in some virtuous traits of the youth's character, was pleased to act the part of a kind parent, rather than that of a prosecutor, and placing before the culprit the horrors of the abyss into which he was falling, offered forgiveness and oblivion of the past offence, if there was reformation for the future. By this merciful course the erring one was brought to a sense of his guilt, induced to restrain his desires, and resist the temptations surrounding him; remaining thereafter a faithful, honest and reliable employee.

The first step with pilfering employees is the taking of some comparatively trivial article for their own personal use or enjoyment. It may be only a few sheets of paper or envelopes, or such matters that he knows he would get for the asking. Sometimes clerks are permitted to pur-

chase any article kept for sale for their own use, and are expected to keep their own account of it, or make the payment therefor without referring the matter to the employer or any one else. This often leads to pilfering. The clerk wants the article to use now, he has no money to pay for it, but he will recollect it, and pay for it when he gets his month's salary. Or, if he is in the custom of charging the articles to himself, he takes it on going away at night, and as the books are put away for the day he will charge it in the morning; or perhaps he has already had so much charged against him for the current month, that at the end of it there will only be enough money coming to him to pay his board, or other necessary bills, and so he will remember this article, and charge it after the pay-day, as against his next month's salary. He is satisfied in thinking that he means right, but he easily forgets; or if conscience reminds him, he satisfies that stern monitor that he intends yet to pay—or that it is only a trifling matter any way, and even if he should entirely forget it, it does not more than pay him for some extra work he is required to do in his daily routine, and which he would not otherwise receive compensation for. But time passes, and the article is neither paid for nor charged. The next time he needs something, and has not the money, it is easier to his conscience. He can now argue the matter. He gets an inadequate salary. He has to come earlier in the morning, or stay later in the evening than another one who is getting as much or more salary, and this which he now takes would not make up for the difference; though he means to pay for it, any way—that is, he means to pay if it is brought to his notice by his employer or others that he has not paid for it. And so he goes on from bad to worse, till his stealings may amount to hundreds or thousands. It is very rare

that an employee, when thus abstracting his employer's goods or money, is not found in the end to have a careful account of the whole amount taken; showing by this that he was soothing his conscience with the idea that by some fortunate event, which he hoped would occur, he intended to pay for or replace all he had taken.

An employer, by watchfulness, and a systematic regularity in his business, can do much to guard against any of his employees taking this first step, in this manner at least. He ought to make a positive and absolute rule that no one of his employees should purchase or take out of the store any article, except directly from himself. An account of all such purchases should be kept, whether made for cash or charged against salary, so that he could always refer to it and know with certainty when he sees anything in his clerk's possession, which has been a part of his stock, that it has been paid for or charged, when he could not otherwise distinctly remember the circumstance of purchase. In such cases there is a great advantage in having the employee a member of the dealer's household. The manner and extent of his expenditures can be more readily ascertained. As money must be had before it can be expended, the employer can generally tell whether the amount his employee receives in wages will cover the expenditure which he must necessarily make; and if he concludes that it does not, or can not, he should make efforts to ascertain how the balance is obtained. Something may be surmised, possibly, by the habits and character of the clerk's associates. It is generally not difficult to note his places of resort, say for a continuous week or two, in which time in all probability some clue will be found to any seeming mystery. The opportunities such a one would have for taking goods or money should also be especially scrutinized, also the opportunity of dis-

posing of goods surreptitiously to persons who may visit the place of business as customers. Especially being on the guard when people of suspicious character always want to trade with this one person.

In the case of those who have the handling of money, it may be necessary when such are suspected, to review the system on which the business is done, to see if there are proper checks and safeguards used against dishonesty; and if there seems to be loop-holes in the system, where money could be abstracted without being readily noticed, or be covered up with false charges, then some new arrangements should be devised. A change to even a worse system might for a time be beneficial, in shutting up the opening; as it would likely take some time to find out other openings for peculation, and in the meantime, through the change, circumstances would probably occur which would satisfy the dealer that the suspected one either was or was not guilty.

When goods are taken to dispose of for money, or the money itself taken, and spent in haunts of dissipation and in vicious indulgence, the transgressor has arrived at that hardened stage that unless very youthful indeed, there can be but little hope of his reformation. He can only be made useful as a warning to those not so deeply involved in crime, by a prompt conviction and just punishment.

The truest mercy to such is that which gives them an opportunity to repent behind the bars of a prison door, although it may subsequently expose them to the taunts of their associates. In other lands and with new acquaintances, they would afterward have a better chance for reformation, than they would have by any unkind benevolence which lets them off without punishment, inducing them to regard their offence as but a trifling one, to be repeated the first favorable opportunity.

The losses which occur to a dealer by giving over weight or over measure may be considerable in the course of a year. It is a subject worthy occasional attention, not that I would advise dealers to be too scrupulous about just having the scales always evenly balanced, except when they are weighing medicines. Good weight and good measure are scriptural injunctions, but they need not run to excess. It is very easy to lose one or two per cent by carelessness in this respect, and when it is remembered that this loss is out of the net profits of the business, which in many cases will not exceed eight or ten per cent, it can be readily believed that the net profits may fall short one-quarter of the contemplated result from this cause. The proportional loss is still greater where the gross profits are small, and the business depends for its success on selling a great quantity of goods. Very often this over weight and measure results from the employment of salesmen who have never been taught how to weigh or measure the goods they sell, and a few lessons are needed to perfect them. An excellent lesson for such, and worth trying occasionally by those more experienced, is to take a hundred weight of some easily handled article and weigh it out into five pound quantities, or even less, so carefully as to make the requisite number of pounds. Measured goods can be similarly tested. One who has never tried it will be astonished at the diversity of result obtained by different persons.

Losses sometimes occur this way through purchasing goods by the piece, box or barrel, as of a certain specific measure or weight—as Chinese silks, raisins, fish, flour, etc. These are purchased as containing a specific number of yards, gallons or pounds, but many times fall short of that; though as the article is not bought by the measure but by the piece or package no allowance can be claimed.

Where such goods are retailed it is well to occasionally test the net contents of a piece or package, so that the actual cost per yard, gallon or pound may be seen. In some cases, perhaps, this result may be more conveniently ascertained by keeping a memorandum on the package of each amount weighed out as sold, until the whole is retailed.

The next subject in this connection to be mentioned is losses by omissions to charge on account goods that are sold on credit. In some stores a pass book is given to such customers as desire it, on which the goods are entered as purchased, as well as in the books of the dealer. If the experience with such books may be taken as a criterion of other accounts, almost every retailer selling on credit will lose considerably by omissions to charge the goods when delivered. I venture to assert that, in fully one-half the cases where a settlement is made of a three-months account, containing the record of twenty to thirty or more different purchases, some will be found on the pass book which are not entered in the dealer's books. And in instances without pass books, how often does it occur that in the morning something is recollected which was delivered the night before, without being charged, and subsequently forgotten till some incident brought it to mind. In view of such instances, how many must there be where the matter is entirely forgotten?

These omissions are most likely to occur when intimate customers purchase. The dealer and his clerks are all busy, when some intimate but impatient customer comes in. He wants a hoe, or a scythe, or a shovel, or some such article, which he selects and carries off, telling the dealer to charge it to his account.

The only way to avoid omissions to charge such, or any

goods, is to trust nothing to memory, but to make at least a note of the matter, by a ticket in the money drawer, or in some convenient receptacle, when the charge cannot be made at once. But preferably make the charge at once, even at the risk of losing the sale to the other customer who is being served.

Losses which occur in the retail dry goods trade from unsaleable remnants of goods, though not precisely a total loss, as the foregoing, may be appropriately referred to here. With the best attention to the subject, on the part of the dealer, there will always be losses from this source; they may be very considerable by inattention, and much diminished by care and prudence.

Attention should be given in the first place to purchasing such lengths of pieces, especially of costly goods, as will cut to the quantities which are ordinarily required, without remnant. And in the second place, in retailing the goods, the quantity which may be advantageously cut off from any piece should be considered before it is cut off. And even calculated so long beforehand that any piece which cannot be cut to suit the customer who is then purchasing without bad loss by remnant, should not be shown at all, at least not until every other effort has been made to suit without effect. As the consequence would often be that the customer's choice would fall exclusively on the piece which the dealer could not afford to cut in the length that would be required.

In retailing valuable dress goods or other articles, remnants of which cannot be readily sold, except at a great sacrifice, it is a very good plan to mark on the ticket the length which may be cut from the piece, and as each prescribed length is cut off, the salesman runs a pencil mark through so much of the memorandum; and never

allowing other lengths to be cut—except with permission of the principal, who only is to decide whether it will be advantageous to cut the goods of a different length or not. As, for instance, a piece of dress goods of $52\frac{1}{2}$ yards might be marked 12, 13, $13\frac{1}{2}$, 14, these being the ordinary range of length required for a dress. The first purchaser may wish $12\frac{1}{2}$ yards, and can be accommodated, slightly altering the figures for what is left. So probably the second purchaser. Any change for the third purchaser requires more consideration.

Observance of these two precautions will tend to lessen very much the number of remnants made in retailing, but still many will be made, and some special efforts are required to sell them off quickly, as they are not only unprofitable stock of themselves, but often hinder the sale of other goods, through the customer fancying a remnant which is insufficient in quantity for her wants, and will not be satisfied with any other style.

Of these efforts, the first is a prompt reduction in the price. Sometimes such a reduction will induce the purchaser of the last previously sold quantity to take the portion that would be a remnant; though it can not always be sold in this way without a too great and unprofitable reduction. But when a remnant is about being made it is at least always worth an earnest trial. The next effort will be to keep them in such a prominent position as that they will be often brought to the notice of the customers as special "bargains." Every community has its "bargain" hunters, who will buy articles and find use for them afterwards. Sometimes such remnants can be manufactured into something more saleable. This, though, requires some tact and experience, and does not always succeed.

It is a good plan to ticket the length on each piece, and

the aggregate price in round numbers of the whole remnant—not the price by the yard, as in the latter case there will often be a little chaffering about throwing off something from the measure—calling three and a half yards three yards, etc., taking up more of the salesman's time than is profitable.

The remnant will often have all the net profit of the piece, from which it came, lying in it, and the dealer's aggregate profits of the year may depend largely upon his skill in selling them off advantageously. They should never be allowed to accumulate, and if the first reduction in price does not bring about a sale after a reasonable trial, the price ought to be further reduced.

CHAPTER XVII.

KEEPING ACCOUNTS.

THE principal end sought to be obtained in keeping accounts in business, is to know thereby how much each debtor owes, and how much each creditor is to be paid. If the dealer has no knowledge of book-keeping beyond this, his books ought to stop at that point till he learns further. There is no greater waste of time and money in a small way, than that where a dealer employs a book-keeper or clerk to keep a complication of accounts in his books which he can not himself understand. The keeping of such accounts as "Cash," "Merchandise," "Interest," "Profit and Loss," etc., are exceedingly advantageous to a dealer, if he learns anything from them, but of themselves they add nothing to the profits of the year's business. And yet they serve a good and useful purpose, when understood, in, to some extent, proving the correctness of the other accounts, and in informing the dealer from time to time, as he consults them, of the progress of his business. And it is time well expended for a man who buys and sells goods to any extent, to thoroughly master the science, so that he can understand them.

At a period in days long gone by, the author kept a set of books for an old dry goods merchant who never understood over one-half that was in them. All that he ever looked at was to see occasionally exactly what some man owed him, or what definite amount he had to pay. The "fictitious" accounts were all Greek to him, and yet with a stub of a pencil and a few smutty papers which he

carried in his vest pocket, he kept such an account that he could at any time tell in a few minutes how much merchandise or cash he ought to have on hand, what had been made by discounting his paper, the amount of current expenses, etc., not, of course, to the exact cent, but with sufficient accuracy for his immediate purposes. To him, therefore, his method, so far as these accounts were concerned, was far preferable to the regular and more complicated "double entry" books which were kept for him; as by his system he controlled his purchases from time to time, to the amount which his sales required and his expected receipts of cash would justify, and could readily tell when he had money in excess of his immediate prospective payments, and the indebtedness of future months which it would be most advantageous to anticipate, and generally was enabled to so conduct and manage his business that he made money. It is hardly necessary to say that he ought to have studied the science, and made himself familiar with the practice in the regular manner, as his business would afterward have been more easily and readily conducted. But until he had so learned it his system was preferable, and to any who are like him ignorant of the principles of "double entry" book-keeping I commend, as preferable, any plan which they do thoroughly understand, whether it be notched sticks, chalk scores, pencil memorandums or "single entry" books. They are commended as preferable, because the very essence and soul of the work is its comprehension.

Ignorance of the principles and practice of "double entry" book-keeping, simple though they are, is astonishingly universal. A lawyer of standing in New York city, extensively engaged in the trial of cases as "referee," where books of account were often introduced, while admitting his own ignorance of book-keeping to the author,

remarked that in all his experience in the many suits before him, he had never met with a lawyer who so thoroughly understood "double entry" book-keeping, that he could elucidate the matters at issue from the account books often introduced. That they invariably had to employ a book-keeper as an expert to develop the testimony which the account books contained. A retailer that prided himself on his smartness and general intelligence, once in the writer's presence showed his ledger to a creditor, as an exhibition of his systematic manner of doing business, remarking that "in this new ledger he was keeping his accounts by "double entry," while the only difference between this and his former plan of "single entry," was, that the ledger was ruled with "debtor" and "creditor" columns on one page, and not as his old ledger had been, with "debtor" on the left page and "creditor" on the right.

It is, too, a very easy thing to go through a regular course of study of book-keeping, and learn the theory and be able to keep a set of books—that is to enter in the proper auxiliary books the original entries, and to transfer these under proper headings into the journal and ledger, and make out a balance sheet showing the results of a year's business, without having that intimate knowledge of the principles necessary to enable one to make that use of his books which they are susceptible of, in the daily transactions of his business.

It is all very well for a dealer to be able to know, at the end of each year, or half year, by balancing up his books, exactly how his business affairs are; but there are events occurring to a man in active business every month—often every week, the proper management of which requires that he should be able readily to make up from his books the result in whole, or in part, of so much of the year's business as has already elapsed since the last "balance sheet" was made.

The difficulty with a majority of those knowing a little of the science, who would learn more but find it hard of comprehension, is that they expect too much from it. They look for it to give definite results in each account, at all junctures. In actual business this is not possible in some of the principal accounts, except when specially made up preparatory to balancing the books.

The ledger, besides telling accurately what each man owes, or is to get, may tell definitely how much "Cash" there is on hand, and what amount of "Bills Receivable" and "Bills Payable" there are; but it cannot tell by the "Expense" account definitely, except at certain times, what the expenses of the business have been from any given period up to the moment, as there are often arrears of expenses unpaid, and accounts running against employees or others, which will be balanced by their salary at a later period, and all be passed into the "Expense" account. Neither will it give from the "Profit and Loss" account any indications of the loss or gain, for the profits are rarely ascertained or entered till stock-taking, and the losses by bad debts may remain uncertain for months, and stand charged against the delinquent debtor. Nor can the "Merchandise" account tell what is on hand, as the profits on the sales and the depreciation on unsaleable portions of the goods, can only be known definitely at the stock-taking. Before that, and in the intermediate periods, these matters have to be estimated from a general knowledge of the whole business. Hence the best book-keeping in any ordinary business gives in many accounts—and these the most essential often in controlling or directing the management of the business—only incomplete results. And what is required of the dealer, in such intimacy with the books and their principles, in connection with the business, that he can readily make up at

any time, in a few moments, the results on any special item or account, which, in view of some meditated transaction it is desirable he should know.

Too often the business of those who even understand reasonably well the rules and practice of book-keeping, is like a prolonged battle, where they only get out of the smoke and confusion once in six months or a year, to look over and marshal their forces, count their dead and wounded, inspect their trophies and note their vantage ground, if they have gained either; whereas they should be so situated as to see from day to day, if necessary, how the battle is going—when it is desirable to recede, when to advance. Otherwise much of the result is luck and chance, and is unfavorable, which under wiser generalship, would have been turned to success, as the issue of forethought and calculation.

In keeping accounts, the fundamental rule is to make every entry so clear in all its parts, and so full—giving the names of the persons, the several items, and all the various details in the original entry, and the proper headings alphabetically indexed, with full reference to the page of the original entry, when transferred to the ledger, so that any competent book-keeper can readily understand the transactions recorded, and trace them through the various books that they are entered in, without the necessity of explanation from the person making the entries. And the neophyte in the science may, with advantage to his thorough training, keep this question constantly in mind, as he pens his various entries: "Are they so full and plain that a competent book-keeper can clearly understand their intention and scope without my explanation?"

Correctness in keeping accounts is a matter of the first importance, and is only attained by special care and attention, directed to that end. To attain this correctness it

is essential that every transaction which it is necessary to keep an account of, should be entered by the dealer at once, and not be trusted even momentarily to the memory. The entry ought to be regarded as a part of the transaction, and by no means the last part of it either, as is too often the case, when the dealer's attention being drawn to other matters, there is always danger that the proper entry will be forgotten. As an illustration: in the taking of money in the settlement of an account, the first thing done after the money is received and counted, should be the making of an entry in the book, after that the receipt and the change, if any, can be given; or in a sale of goods on credit, the entry should be made before the goods are tied up—and by all means before delivery of them to the buyer. Sometimes it will occur that the goods are in the hands of the buyer before it is known that they are to be charged to account, and the omissions to charge goods sold on credit, or errors in the charge are most likely to occur under such circumstances. It is therefore a good plan to use a little form in the charging of goods, such as having them always present in one locality while the "entry" is being made, so that they may be compared with it afterward.

When this custom prevails, an enquiry is appropriate, prior to the actual delivery of the goods to the customers, who are likely to want credit, as to whether they wish the goods charged. When the goods have been actually delivered, and such a custom is known, there is no impropriety in the dealer again taking the articles in his hand or possession, to carry to the desk or locality where the entering is done, so that the charge may be made in a regular manner.

The only good that is to be found in many of the forms, and much of the routine in more important affairs, is that

a habit is acquired which unconsciously leads to the performance of a duty that might otherwise be forgotten.

It is a good plan to have contiguous to the desk where the books are kept, a small platform or counter, separate and marked off from the ordinary sale counter, where goods sold on credit are always to be placed, if not too bulky, while the "entry" is being made; and still another location, where they are placed afterward, waiting for the customer to take them, or their being sent away. Such separate locations need not take up much room when the store-house and business is of limited extent, but they are valuable adjuncts in the plan of "a place for everything, and everything in its place."

It should be the pride of every dealer to have his books uniformly correct, and he ought to consider himself disgraced by every error brought to light in them; and if errors and omissions are frequent, he might seriously question his ability to conduct his business. Arithmetical errors, and errors made in transferring from one book to another, are best detected by a careful repetition of the calculations, and checking off of the items transferred. Without this review errors will be frequent.

The omissions to charge goods, however, can not be discovered by any such means, and the reader is referred to the latter part of the preceding chapter, where this subject was treated of under the losses of the business, for other plans in connection with those above mentioned, to guard against this neglect.

Among all the errors and omissions of retailers in keeping accounts, none are more prevalent than those connected with the account of their own indebtedness. It would be difficult for many—perhaps one-half of all who retail goods—to tell at any definite time when called on, how much they owe their creditors. The loose habit

they permit with the invoices of goods they receive, and generally the inattention to a proper system of receiving goods, the former frequently found days after their receipt filed away in the coat pocket of the principal, or his clerk, or carelessly stuck away in the most convenient corner or drawer; and the latter taken in and placed on sale without any, or but a cursory examination and comparison with the invoices, can only produce uncertainty and error in the accounts that are based mainly on such memorandums.

It may well be doubted whether one-half of the "false pretence" cases, where retailers, in seeking credit, have made statements of their indebtedness, subsequently found to be erroneous, have not their origin in ignorance. True, a man has no business to say that he owes only a certain sum, unless he knows surely he does not owe more, and it may be legally right to hold him to the statement made in ignorance, just the same as if made in wilfulness.

The omissions to credit persons for goods purchased can generally be avoided by the adoption of proper arrangements and plans in the receipt of goods and invoices.

When the character of the goods dealt in will admit of it, there should always be a special place of deposit for articles coming into the store, where they may remain until regularly examined and compared with the invoice.

The invoices received with them ought to be first examined by the buyer of the goods, to see if the prices are correct, and the quantities charged the same as were bought, and if found correct, his initial should indicate it. Errors, if any, should be noted on the invoice, which ought then to be entered in an invoice book; an essential book in the simplest form of book-keeping and in every business. If the items are many, it will sometimes cause too much delay to copy them all in the book at the time, and tempo-

rarily it is sufficient to simply write the creditor's name in the invoice book, under its proper date and place, and then count off the number of lines or space the items will occupy, and enter the gross amount of the invoice at the bottom of these reserved lines; marking at the same time the invoice uniformly in one place with the page of the invoice book on which this entry is made. The invoice is then ready to be used for the examination of the goods.

In houses where a very large business is carried on, the invoice is never suffered to go out from the control of the person whose duty it is to enter it, all examinations of goods being made by the use of the copy in the invoice book. This plan is an excellent one, where enough clerks are kept to have the invoices at once copied into the invoice book, or where, as in importing goods, the invoice is received generally several days before the goods are in store. But in ordinary business the examination of goods with the original invoice directly in hand, will be found more expeditious and convenient and, by this plan, fully as free from the danger of omissions to credit the purchase as the other. Even if there is a delay in getting back the invoice, from those whose duty it may be to examine the goods, the skeleton entry in the invoice book is a reminder which can not be passed over. At the earliest period possible the details of items should be filled in, exactly copying the invoice. Whatever errors or deficiencies were found in the goods ought to have been noted with a pencil on the invoice, at the time of examination, and should now in like manner be noted with pencil at the bottom of the copy in the invoice book, and the invoice returned for correction. Space should always be reserved between the different entries of invoices for the subsequent insertion of such deductions or corrections as have been allowed or settled upon after communication

with the party from whom the goods were purchased.

The invoice book should have the page wide enough to admit of an extra money column on the extreme right, into which nothing else is inserted but the full amount of the footings after all deductions and corrections are made, and care should be taken that this full amount is not entered in the outer column until the invoice and goods are examined, and corrected if found incorrect. The presence then of the total footing in this outer column will indicate that the entry is ready to be posted. Without this or some other check, there is danger that the entry will be posted to the credit of the seller before due corrections are made. Where there is some delay in the correction of the invoice, as is often the case, it is best to post the entry into the ledger to the proper credit, leaving the amount blank, to be subsequently inserted when the invoice is received. Unless this is done, there is a further danger that this invoice will be passed over, and other invoices of a later date from the same house posted in the ledger, throwing this entry out of proper place, if no more serious omission happens. (See Appendix for specimen of invoice entered and marked for correction in this manner.) When invoices are kept by pasting them in a book, as is sometimes done, the place for them in the book should be marked out—the name, date and amount inserted, as directed for the skeleton entry in the invoice book, and after correction, they are to be pasted in the place so reserved.

It will sometimes occur that goods are received without an invoice. The regular course would be to leave them in the ordinary receptacle or place for depositing goods coming in, until the invoice arrives. It often happens, though, that the goods are in immediate demand, and the delay in receiving the invoice will cause a loss of

sales. If it is thought so, and the buyer definitely collects the details of price and quantity, a memorandum can be made of them, which may take the form of the regular invoice, and be entered in skeleton form in the same manner as the original would have been, to be filled out from the genuine invoice when received. Greater care should be taken in the examination of such goods, and after one person has made out a memorandum from his own examination, another should take the memorandum and re-examine the goods as from the genuine invoice. Then, when that invoice is received, if it differs from the memorandum, satisfactory evidence is at hand of the true quantity, even though a part or all of the goods have been sold.

When two or more persons are engaged in the examination of the goods of one invoice, it is a good plan for each to place his initials on the line of the items examined by him. If subsequently any errors are found, he alone should bear the blame who is in fault.

Another frequent omission in keeping accounts, is that of the comparatively minor credits, which are to be applied in reduction of some of the customer's debts, for articles furnished by them to the dealer for his private expenses, as the bills of the butcher, baker, shoemaker, physician, etc. It may not be always possible to get the details of these matters, but whenever the amounts are known they should be credited and duly charged to the private account of the debtor, and when they cannot be definitely known without great trouble, settlements should be insisted on monthly or quarterly at furthest, even though the balance found due on either side is not paid. Long-running, unsettled accounts of this kind are almost certain in the end to prove the destruction of friendship between the parties. One or the other is likely to be

surprised at the magnitude of the account against him, and the expression of his doubts of its correctness, often leads to hard feeling before the accounts are settled.

A retailer who was in arrears of his payments, and whom I was advising about the course he should adopt in view of such arrears, had accounts of this character on his books, which had been running two and three years without settlement, or the entering of any credit for the articles furnished him, some of the accounts amounting to two and three hundred dollars. He seemed to have, and thought he had a good deal trusted on his books, which, he said, if he could only collect he would be able to pay up all his arrears of indebtedness. I was his creditor for several hundred dollars, and was anxious to get some of these outstanding accounts transferred to me, which I could place in a collector's hands to secure my claims against him, and which he was willing to give. But as I turned over leaf after leaf of his ledger referring to one large account after another, and was informed that this was due from a blacksmith who had an account against him of about an equal amount, the next from a farmer who had furnished hay and feed for his horse, another from a physician who practiced in his family, and so on through a long catalogue, really embracing all the large accounts, and sufficient to have covered his family expenses for two or three years, I found that there was really not one-half of the amount due him which appeared on his books, and was fain to put up with a larger number of small accounts.

When a dealer keeps such accounts running on his books, without the credits being entered that should be, he soon gets an unreliable record. He is misled on one side by the appearance of money due him, and on the other by his private expenses seeming to be less than they

really are, and is therefore deceived on both sides, and is likely to soon come to insolvency in his business.

A dealer deceives himself somewhat in the same manner, when he continues to keep on his ledger claims against persons which he is unable to collect. All such accounts should be promptly turned over to the "profit and loss" account. This need not hinder the keeping of a memorandum of them in another book as a list of bad accounts, which he may occasionally look over, to see if something can be realized from them. But so long as they stand in his ledger, apparently as good accounts, their tendency is to deceive him. In any summing up of the outstanding debt, they swell the aggregate, and sufficient deduction is rarely made for them. A man may be only a knave when he deceives others, but when he deceives himself he is likely to be both a knave and a fool.

The practice of keeping an account of the details of cash sales, is one at present mostly confined to such houses as do so large a business that they require a person solely to take the cash—the cashier, as he is called—and it is mainly as a check on the cashier that these details are kept. But the custom or plan is being introduced among dealers of even a limited business, with great advantage. There are many good reasons why such an account should be kept by a retailer, who needs no clerk to assist him in selling his goods, though it is more necessary and advantageous with each addition to the clerical force.

The most convenient form for keeping such details in small concerns, is that of making a pencil memorandum on a ticket at the time of the sale, and placing it on a file when the money is put in the drawer.

As a check on the money taker, it is sufficient simply to name the aggregate amount of each sale, but it is susceptible of a larger use than this. It takes but little

more time to give enough of the details of the sale in an abbreviated form, to be very useful in many ways to the dealer. It enables the cashier or money-taker to go over the calculations, and correct errors; it often prevents disputes with the customer, who may come back in a day or two, forgetting perhaps some article purchased, and claiming that there was a mistake; it is often useful to the dealer in enabling him to trace out some article of his stock which he fears has been stolen; it enables him to count up the gross profits every day if he will, or as often as he desires, and thus to know whether he is doing a profitable or losing business; and it may be useful as a check to prevent fraud by the salesman in giving goods to a confederate at much less than their value.

The only current objection to these details is, that they take up too much time. It will be found, though, after a week's practice, to add very little to the work of the salesman, who is always under the necessity of counting up the total amount of the articles sold, which should never be done even in the most limited extent, except by arithmetical operation with a pencil or pen—as the custom of reckoning mentally, the sum of two items even, is open to grave objections. When permitted with a few articles, it will be used with many, and the correctness of such calculations can not readily be verified. If, therefore, the rule is adopted, that the salesman shall use a pencil in counting up the sum of the sale, and he has blank paper conveniently prepared, the extra time taken in writing down the number, quantity, name and price of each item will be hardly perceptible in the most hurried business. The blank paper for such tickets costs but little in money or time for preparation; it should be cut to two or three sizes, as experience may show to be most desirable, and placed at various localities around the coun-

ters, so as to be conveniently within reach from any point where the salesman may be engaged.

The initials or some particular number to designate the salesman, the day of the month and the customer's name, if known, should also be written on the ticket, and to prevent confusion on a small ticket, may all be placed on the back. (See Appendix for a form.)

A ticket system, by which it is known exactly how much each salesman sells each day, soon begets a spirit of emulation among the clerks, each one being desirous of surpassing his fellows in the amount of his sales; and its adoption will be often found to create new life and activity in a business where all was before listlessness and inactivity.

These tickets should, after careful revision, be strung on a twine, as nearly in the order they were taken in as possible. Each day's number may be separated from the preceding by a piece of stout card, and if the card be dated, a ready reference can be made to each day's tickets when wanted.

The cash account should always be made up in the evening of the day, after the sales are over, when the money taken in is put away for safe keeping, and by all means ought to be done before the business of the next day commences. The calculations on the tickets should be gone over, if not done as taken in, and the gross amount entered in a cash sales book, in such a manner as to show each salesman's sales, and the aggregate of the whole day's transactions for cash down; which carried on from day to day will give the aggregate for each month or for the year if desired, and will also form convenient records for comparison of the business in succeeding years at the same period. (See Appendix for form of this Cash Sales Book.)

Attention to writing up the account books every day, besides the advantage of always having everything in order for immediate reference thereto, makes the duty a comparatively light one. Twenty to thirty minutes will then in ordinary cases of moderate business, suffice to arrange all the work of this kind; whereas if left over for a week or two, or even longer, as is too often done, it becomes a tedious and disagreeable work, occupying perhaps half a day to the detriment of the business of selling during the half day, and the further disadvantage of having the accounts meanwhile in such shape that it is quite a labor to find out if occasion requires what a customer owes.

I have seen in my experience, a retailer's books a whole year in arrears of posting. The man thought himself worth some five or six thousand dollars, but failed six months afterward, and could not pay twenty-five cents on the dollar of his indebtedness. It was very "hard times" all the time in his neighborhood.

In the chapter on giving credit, mention is made of the advantage to be derived from having a definite period agreed on at the time of sale, for the length of credit, so that there will be no misunderstanding as to when the debt is due, and it ought to be a part of the book-keeping to take note of this maturity of the credit. It should not only be noted in the sales book at the time of and with the original entry, but should be transferred in posting to the ledger, so that the maturity of the account can be seen as readily as the amount of it. And so that collection can promptly be made, or at least attempted, when the account becomes due.

When the accounts are very numerous, it will be found very convenient to have a memorandum book of "accounts receivable," and even when they are not many, if

it is customary to sell bills of goods on differing times of credit, it is desirable to have a book of the kind, so that the dealer may readily see how much will be due him from outstanding accounts in any particular month in a series of months; upon which, in part, he must often base his calculations for paying his own indebtedness, or such as he may need to create. Such a memorandum can readily be made, if a regular book is not kept for the purpose, by taking a ledger index, such as comes bound separately from the ledger, lettered on the margin one letter to each leaf, and ruling it with money and date columns, one set for each month, leaving a wide space on the extreme left for the customers' names. (See Appendix for a form of one.)

The entries in such an account should be made at the end of each month, by going regularly over the ledger and transferring the accounts, as posted, into the column of the month they fall due, with the day of the month in which they mature, or the average date if there is more than one charge. At the same time such previous accounts as have been paid during the month may be marked off, by simply drawing a line through the figures. If the width of the paper admits of it, a marginal space on the right can be reserved for noting down any matter of interest connected with the account, such as payments in part, or promises to pay at some special day. As such a book would be really only a memorandum book, the monthly footings and the marginal notes should be made in pencil, so that they can be altered from time to time as circumstances require.

It often occurs that customers ask for credit on goods as a temporary matter, being willing to pay in a month or so, and do not care to ask for the formal credit of a specified time. The dealer has a difficulty in deciding

when the account may be considered as due without offence to the debtor. The debtor waits for the account to be sent in, while the dealer is fearful of sending it lest it might displease him, and thus the credit runs on much longer than was expected by either party when the debt was created. To meet such cases, it is a good plan for the dealer to post up in some conspicuous place over his desk, where all his customers may see it, a neatly written or printed card, to the effect that "*All goods sold on credit, on which no specified time is given, must be paid for within three months,*" or such shorter or longer time as may be proper. Or the maturity may be at the "quarter-days," and should ordinarily be a shorter time than goods are sold on when credit is regularly given.

A summary of the daily cash and credit sales, summed up monthly throughout the year, in schedule form, is a convenient memorandum to keep for showing from time to time the progress of the business. The precise form of such a memorandum is a matter of indifference, so that it brings before the eye at once a compendium of the daily sales. (See Appendix for a form of such a summary.) As a single broad sheet is sufficient for a year, it might with propriety find a place in the book of "accounts receivable" before mentioned, together with any other similar memorandum of sales, debts or purchases. To any one unaccustomed to keeping such accounts, the labor required will no doubt appear in some respects to be a waste of time, as it will seem probable that the information wanted of these matters at any particular juncture could be hunted up for the occasion at less time and labor. But it is not so, if care is taken not to descend into too great minutiae, which are unnecessary, and only those more important matters are recorded which every dealer who properly manages his business,

always needs to know, it will be found that the information is obtained in this way with half the labor. It is true that it is more labor to keep reckonings of this kind, to guide the way along, than it is to dash ignorantly through in the dark, which the dealer generally does if such accounts are not regularly kept. It soon becomes too much trouble to sift out and sum up the results he wishes to ascertain on any special occasion, and he therefore omits it, risking the action contemplated on the hope that the facts are such as he would have them; when a regularly kept memorandum or account would show him definitely how matters stand, and whether there is really any ground for his conclusions.

A couple of hours at the close of each month, will ordinarily suffice for making up these memorandums, and even if it should take twice as long, the time will be better spent than it often is in holding political or other disputations with customers and loungers.

At the close of the current year, it is very essential that the books should be balanced up and an inventory taken of the goods on hand, so that it may be known exactly what progress has been made during the year. Even this inventory is very frequently omitted in the retail trade. "It is too much trouble"—"I can't spare the time"—"It will not make the goods any more if I do take an inventory." These are the common excuses for not doing the work, and possibly to the most of those who thus excuse the omission, it would be a superfluous work, as they would learn nothing by it. It would possibly, in their case, only serve to gratify a childish curiosity to know just how many dollars worth of goods they have, and for that purpose is as well omitted.

But when it is made a part of the work for ascertaining the profitableness of the business for the year, and is

also treasured up for use in future years in the calculation of the comparative profits of different years, and thus serve as a guide to direct the onward course, it is of primary importance.

It is impossible for a retailer to know with any certainty, at the close of the year, whether he has made money or not, unless such an account is taken.

It is not only in this view, however, that the taking of an inventory is commended. Being a regular and methodical inspection of the stock of goods, it should always be availed of to especially note all goods which are remaining too long on hand, and to ascertain the cause for such detention, and the best method to dispose of them. And it should therefore never be left entirely to the subordinates or clerks, whose chief aim would naturally be simply to take a correct account of the quantities and cost of the goods, while it is really the value of the goods that is wanted. This value can be given properly only by the proprietor after a critical examination of each article, and a comparison, if necessary, with other goods of similar use and purpose which are saleable. There is no time so appropriate for a general overhauling of old goods, and marking down such as seem to require it, as at the inventorying.

It is also well at this time to reconsider the arrangement or location of the goods on sale; to bring more prominent such as have been less freely sold by reason of their secluded position, and generally to review the whole plan and arrangement for the exhibition and sale of the goods.

The omission to take the inventory, or even undue haste in running through it, will often prove to be the omission of all this useful work.

With the inventory correctly made out, and showing

the real value of the goods, there is no difficulty under any system of book-keeping which is correct and complete, of making up a "balance sheet" or schedule of the assets and liabilities of the dealer, which on being compared with that of previous years will show him the increase or decrease of his capital. This ought to be carefully and accurately made up and preserved from year to year, that it may be used as occasion requires as data to guide or direct future business.

For these purposes the "balance sheet," as usually made out to show the capital by a comparison of the "assets" with the "liabilities," and through this the net profit or loss of the year's operations, is quite inadequate; as it does not give all the details which are necessary to enable the dealer to avoid the errors of the past, or guide the future course. There are several other matters, which may well be incorporated into the "balance sheet," that are to be considered and properly adjusted to and with each other before this calculation for the future, or comparison with the past, can safely be made.

These items are "the amount of sales for cash" and "the amount of sales on credit;" "the gross profits on the sales," "the store expenses," "the private expenses," "the losses by bad debts actually incurred during the year," "the amount estimated for losses on outstanding accounts," and "the gain or loss by interest and discount." The profits of a year's business may be due to a favorable interest account; which is favorable, because a larger proportion of cash sales enabled the dealer to discount his bills more freely: or a disastrous year may have been caused by heavy losses from bad debts; resulting either from too great a proportion of credit sales, or from outstanding debts of a previous year on which too low an estimate for loss was made at the close of the year.

The dealer, who would obtain the full benefit of his experience, must look into the causes for the profits or loss of a past year's business; unless he does, he has no safe guide in his experience. And when the schedule of the year's business shows all these items, in connection with what is ordinarily in the balance sheet, the cause for any deficiency or any unusual prosperity can be readily seen.

In conclusion of this subject, my readers are cautioned against the too current opinion that the ability to keep accurately the accounts and books of a business, is evidence of business ability, or is to be regarded in any respect as supplying the want of skill and experience in the actual and practical operations of buying and selling. Good book-keeping tends only to save and turn to the best use that which is already made, or by its records of the past throw some light on the future for the dealer's guidance. The best kept books can never put one dollar in the cash drawer, but they may save hundreds from unnecessarily going out, if there has been sufficient talent in conducting the business, to put them in. Careful scoring of the shots in the target, will enable the marksman to so vary his aim that he can each time come nearer the mark, but all the scoring will not itself put a ball in the target.

CHAPTER XVIII.

EXPENSES.

AS there is not much disposition generally to retain clerks when there is nothing for them to do, business expenses will to a great extent regulate themselves. Still there is some difference in the proportional expense which different men incur in doing business. One feels the necessity of working arduously himself—of being early and late at his business—and at the head of everything. Another from indolent habits, or because he has false ideas of dignity, or from other causes, leaves many of these details to be looked after by a sort of head clerk. The former, besides having his business better attended to, and being more familiar with its details, thus saves—if not the full salary of such a head clerk—at least the difference between that salary and the lesser one of a lower grade clerk.

Such an attentive proprietor also sees and arrests more promptly any unnecessary waste which may be going on in any department of his business, as leakage or damage to his merchandise, unnecessary use of gas or lights, etc. The tools or utensils of business last longer with him, because taken care of. Even a gross of steel pens will last twice as long in such a man's business, as in one who pays no attention to little matters. Some people may think these are too trifling details for a *merchant* to attend to, but if the indifference be once reached which looks with equanimity on the unnecessary waste of even a cent's worth, depend upon it, it is a propensity that will by and

by increase, and lead to an unprofitable augmentation of every expenditure in the business.

There is a wide difference between this careful attention to prevent waste, and that parsimonious and exacting method of dealing which every liberal man condemns; although by some people who desire to be thought "whole-souled fellows," they are often confounded, and alike condemned. A man should care for the stoppage of a leak in a cask of oil, though by the leak he may not lose more than a quart of oil, while at the same time he may with propriety give away that much in retailing out the cask to insure good measure to his customers. The waste enures to no man's profit, while the good measure does, and this may perhaps be taken as the criterion to judge of such matters. If the thing gratuitously parted with benefits a customer, it may be called a liberality; if no one is the gainer thereby it is a waste.

A dealer should be careful, too, that he does not run into an error in the opposite extreme, and think that saving is making, as is sometimes done. I recollect to have once seen a dealer in a small room in the rear of his store-house, straightening some crooked nails that had been drawn from the covers of the cases in which his goods came, so that they could be used again, while in plain view of him were customers standing at his counters waiting their turn to be served. If a dealer could find no time more favorable for such work, it would be economy for him to throw his crooked nails into the street. The man was really taking a little recreation—deceiving himself with the idea that it was a work of economy he was laboring at. We may often deceive ourselves in this way, and be amused in untangling knotted pieces of twine, straightening nails, and picking up odds and ends, when we could be more profitably employed in making money by attention to our legitimate business.

The expense of rent, though considered somewhat in a previous chapter on "choice of location," requires looking at from another point of view. It should always bear a relation to the amount of sales and profits. We sometimes hear one remark who proposes to take a choice location at a high rent, "it is worth as much to me as to any one." But this principle is an unsafe guide. If other people's calculations as to what a store may be worth to them were always correct, it might be safer to go by their judgment. But it is oftentimes found that the rash and inexperienced are the ones most prone to take such expensive localities. And it is often therefore equivalent to saying that we with our best information and experience will be governed in our business course by those who have neither.

When a dealer is doing well, it is prudent to rather sacrifice a considerable prospect of doing better, which will involve him in a much heavier expenditure for rent.

Precisely what rate proportional to profit should be considered reasonable and prudent, will depend somewhat on the kind of goods sold, and the character of the business; as some kinds of business can not be successfully carried on except in prominent locations, where rents are generally high, and if unprofitable there would probably be still more so in a location less conspicuous.

Ten per cent on the gross profits of a retail business ought not ordinarily to be deemed too great a rent, while twenty per cent may be regarded as excessive. And yet if the other business expenses are not very heavy, and the business is materially more profitable in a location requiring higher rent, such a proportion might be undertaken with fair prospects of success.

In the aggregate, a retailer's total expenses, including those of his private living, ought not to exceed one-half

the gross profits of his business. There will ordinarily be losses from sources heretofore referred to, which will take from fifteen to twenty-five per cent more of the gross profits to cover them, even in a very carefully conducted business, leaving only from twenty-five to thirty-five per cent net of the gross profits. If care is not taken to keep down the expenses, even this is readily absorbed, leaving no profit to the dealer.

It is, however, more especially, the matter of private expenses that I intended to discuss in this chapter.

Too often these are rated not according to the income from the business, but the income is hardly considered at all. The dealer and his family live as he thinks is proper to their station, or as their neighbors and friends do, and then he strives to make the amount of his expenditure from his business. If he succeeds, well—if he does more, and makes money beyond his expenses, better—but if unsuccessful—"well, he must live," "the world owes him a living, any way," "he works hard enough for it"—and if his expenses exceed his income, so much the worse for his creditors.

It is not too much to say that one-half the failures in business among retailers have their cause in extravagant expenditure. Not extravagant living; for it would be hard for a man with an ordinary family to live extravagantly on from one to two thousand dollars a year, which is perhaps the average expenditure of the class I speak of. But the expenditure is extravagant when it exceeds the income, just as much so as it would be in an ordinary day laborer earning but one dollar a day, to spend by running in debt twice that sum in living.

It can honestly only be called swindling, for any dealer to continue from year to year to expend more than his net profits warrant, when the result at last is to be that those

who credit him will not be paid. Ignorance of his income can be no valid excuse, when the expenditure is kept up year after year. And when the ignorance is willful, as in the case of a dealer who suspects that he is not making his expenses, and who yet refrains from taking any inventory, or from examining closely into his own standing and ability, lest the insolvency which he fears may be positively proven to him, such ignorance is criminal.

It has been so often exemplified in our experience, that "a man who lives on a salary never grows rich," as to have passed into a proverb.

The reason undoubtedly is the tendency of most men to live up to their income. And the cause why prudent men in business do sometimes grow rich, is because their income being uncertain, they confine their expenditure to the lowest probable sum that it will be, so that they may be sure of not living beyond their income; and the difference between this low estimate and the actual profit, leaves at the end of each year a surplus—greater or less, according to the prosperity of the year's business. This surplus, small though it may be, is the nucleus, around which if properly kept turning, a fortune soon gathers.

There is no good reason why a man doing a retail business of any kind, should, if the profits of his business are no greater than the wages of a day laborer, live any more expensively than the laborer. His occupation is not so especially a necessary one to the community, that the laws of morality should be changed to suit his ideas of what is appropriate to his station, so that what is fraud in another is excusable in him.

It is besides always judicious for a retailer to adopt a moderate and unobtrusive style of living, even if he can afford to live more ostentatiously. When a man in business adopts a style of living and expenditure far beyond

the reach of his customers, it often creates a feeling among them that he is making too much profit out of them, and this reacts injuriously upon his trade. The sympathy and good wishes of his customers are withdrawn in a measure from him, and bestowed on those of his rivals who seem by the economy of their living to be in greater need of their patronage.

Besides it is much easier, as all the world knows, to increase one's private expenditure, than it is to reduce it; and there is danger in increasing these expenses too fast, even though the profits of the business may seem to well warrant it. There is always an uncertainty regarding the continuance of prosperity in business, that should not be lost sight of, lest by the time the increased private expenses catch up with the increased prosperity of the business, the latter may receive a check, and be materially reduced, perhaps even below its former extent, while the private expenditure can not be so readily brought down. This is only reduced by stern necessity, and that "stern necessity" is too often never found short of insolvency. It is of the character of that referred to once by a southern trader, who told me "his customers rarely paid their notes except under a stern necessity, and that was when the sheriff was at the door with the execution in his hand."

One reason why the private expenses of a retailer are apt to exceed that of other people as prosperously engaged in other occupations is, the possession, in the traffic of the business, of so many of the articles of luxury and convenience in daily use by his customers, and through this possession a continuous temptation to enjoy the use of them. If, for instance, one customer A indulges in one article of this character, B in another, C in a third and D in a fourth, each foregoing the use of what the other

three purchase, the dealer, regarding himself as well able to indulge in such things as either of them separately, manages to combine in his expenditure all the luxuries and comforts enjoyed by the combined four.

Possibly the requirement that a dealer should have a strong belief in the necessity for, or advantage to be derived from, the use of any article in which he deals, that he may more pointedly and heartily commend it to his customers, reacts too easily on himself, inducing him to feel too greatly the want of the article in his own case. If this be so, it shows the importance of keeping these desires in check, and the duty of limiting himself in the use of such articles, the expense of which he may not be well able to afford; and when strongly tempted to incur any such expense, to specially reflect whether his business is profitable enough to permit the indulgence in so many luxuries. Perhaps in nothing is this temptation so great as in dress; but there are many other things of convenient use in families, that are also seemingly indispensable, particularly new inventions which promise greater economy or convenience in use, than the articles they are designed to supplant.

One of the influences tending to induce economy in personal expenditure in small matters, is the want of ready money to purchase them. We often forego the purchase of an article that seems very desirable to have on this account, not wanting to incur a debt, or perhaps having no credit established in the store where we see it. Among retailers who may be supposed to always have on hand either the article itself or sufficient money to buy it, this restraining influence is of course generally wanting. The practice, which is too prevalent among small dealers, of using the money drawer as their private purse, and taking therefrom whatever may be required to meet the mo-

mentary want—either fancied or real—greatly encourages extravagant expenditure. No matter whether an account of such money be kept or not, the practice is a bad one. As also is the habit of taking for private use articles kept for sale, simply charging them to an account against the dealer; or still worse, as is often the case, making no charge of them at all.

An example of this class is the retailer's wife, of whom the story is told, that on being asked by an acquaintance what a certain article of dress she wore cost, answered, "Oh, it didn't cost anything, you know my husband keeps store now, and I got it there!" When a retailer has a large family, and this idea prevails among them, even in a limited degree, it will not be difficult for him to expend more than the profits of his business. As an aid in restraining undue expenditure, it is an excellent plan for a retailer to draw from his business weekly or monthly, such regular sums as by careful calculation at the commencement of the year he may conclude he can afford for his private expenses, and with this make from time to time such purchases from his own stock or elsewhere, as he requires or this sum affords; and avoid running any account with himself or others for such private expenses.

The state of the private purse will then frequently determine the question as to the propriety of any contemplated purchase. If such a course were adopted and rigidly adhered to, three-fourths of the failures among retailers would never occur; as experience shows that in fully that proportion of failures undue expenditure, either consciously or unconsciously, was largely the promoting cause of the disaster. The continuance of an expenditure averaging five hundred dollars a year—or even three hundred—in excess of the net profits, running through five or six years, makes serious inroads into the capital of

most retailers, and generally ends with the creditors of the concern being called on to take from twenty-five to fifty per cent of their claims, and thus they in the end have to foot the bills of the dealer's expenditure.

This ruinous result is often aided by a disregard of what may be called the uncertain losses of the business. At the end of the year the expenses have been incurred, and the business has not been prosperous, but the dealer does not like to own to himself that he has expended more than he has made: so he omits making a sufficient reduction on his old stock of merchandise, and defers carrying over to his profit and loss account outstanding claims which are really hopeless, but which he strives to think will yet turn out good, and by these means or omissions a nominal profit on the year's business is shown which fully covers his private expenses.

When the business is not large, and is in its character somewhat uncertain, as most are in the extent of sales and profits, it may prove unsafe to estimate for the expenditure of the coming year entirely from the results of previous years. The business may fall off largely during the year, and it is advisable therefore that whatever has been set down as the limit for private expenses should be subject to reduction as the year advances.

In a very small business, where perhaps the capital would be sunk by such drafts before the year expired if there were diminished profits, it is a safe way to limit the expenditure to a certain per cent on the profits of the week. The exact proportion of the profits being settled upon, that can with safety to the business be drawn for private expenses without diminishing the capital, which is still retained intact to keep up the business, they can be daily or weekly set apart and used for such purposes.

This method requires very little knowledge of book-keep-

ing, or of accounts, only enough to know what the average per cent of gross profits on each dollar sold is, and what proportion of this can be used as the *net* profit. It is peculiarly applicable to small dealers and mechanics, as thread and needle stores, milliners, green grocers, butchers, bakers, smiths, etc., and has the merit of being easily comprehended and a pretty safe guide in enterprises of a more extensive character.

Probably more fortunes are made by a saving economy in expenses during the first few years of business, than are made by great profits. The difference of five hundred dollars a year in expenses, for the first ten years of a young man's business life, will possibly be all the difference between poverty and a competence at sixty.

It is not only the yearly \$500 and its interest accumulations which make the sum total, large as these are shown to be, further on in this book; but it is the advantages derived from the habit of economy gained, which continues to some extent through life, and from having this surplus of profit to use in the early years of business, and which is worth to the dealer at this period far more even than the simple interest which it would bring if invested.

CHAPTER XIX.

COPARTNERSHIP.

The custom of forming copartnerships to carry on various branches of mercantile business, is so prevalent that it is quite appropriate to discuss some of the most prominent features of this relationship, and indicate the particular points which should be kept in view in forming one.

The main object to be attained by the formation of a copartnership would seem theoretically to be the creation, by the joint abilities of two or more persons, of one whole, complete, and perfect business management.

One who has ability to plan and arrange, and initiate business enterprises, may think himself lacking in persevering attention to details, without which his undertakings will rarely be profitable. Another with but limited ability for the inception or origination of projects, can efficiently aid by his indefatigable energy and industry, those who can plan. Other circumstances being not unfavorable, two such persons would ordinarily succeed well in business as copartners. Again, one man may be prompt, bold, and almost rash in his business enterprises, though able to both plan and carry out his projects; if connected with another who is over-cautious and too timid to engage in even ordinary risks, the alliance might be beneficial to both. Or one man may have sufficient capital for a business without the proper experience; he would require in a partner, not capital, but business ability and skill; and the two would together bring to the business all that is necessary for its successful prosecution.

It will be readily seen, therefore, that what is more especially needed in selecting a partner is not similarity of business attainments, but rather such different characteristics as will make each partner the complement of the other. Though it is not meant that in practice this is reached, or can be, as all men have more or less knowledge or ability on all points. It is only intended to refer to the prominent points or characteristics.

When a person is proposing to form a partnership, the first consideration should be what he can do well himself, and what he can not do so well. Then the consideration as to whether the proposed partner can and will supply his deficiencies. These enquiries are generally too cursorily made, and it is often found after a partnership has been formed, that the partners were greatly deceived in regard to the peculiar abilities of each other. We are too ready to jump at the conclusion, when we are lacking in any qualification for business, that any other person whom chance may happen throw in our way as a partner, can supply our deficiency.

There ought also always to be a clear understanding between the contemplated partners, as to the various details of the business which each is best fitted to take care of. It is sometimes found after a partnership is made, and the actual work of business is commenced, that this has not received sufficient attention. Each partner has thought over the matter, and assigned that duty to the other, this to himself, all through the work; and it is found when the trial comes that there are many things to be attended to, which neither wants to do, nor can do well. If this subject was freely canvassed beforehand, and no undue encouragement given to either partner to undertake duties he felt himself unequal to, and the labor of the business was fairly divided between the partners according to

their qualifications, many of the difficulties and quarrels which sometimes occur in such associations would be avoided.

"I was very much deceived in that man," is often the exclamation of one just released from a disagreeable or incompetent partner. But why deceived? Nine times out of ten because it had been assumed at the outset that the partner would perform certain duties, which he had never agreed to perform, and for which he had not sufficient skill or experience to bring to a profitable issue.

No man who forms a copartnership with another without a full understanding on these points, has any more right to regard himself as deceived by his partner's course, than he would be deceived, if confiding in the disposition of a strange horse to stand without tying, he should leave him in the street unfastened, and after a momentary absence return to find him running away.

While there should be a diversity of business attainments and gifts between copartners, it is desirable that there should be a concord and harmony of views in relation to the best method of transacting the business, so that each one's time is not diverted from his department, or too much occupied, in urging upon his copartner the adoption of his ideas upon what might be called the fundamental principles on which the business shall be conducted. Nor should there even be such a diversity of opinion about the daily transactions as to require too long a discussion to convince a reluctant partner. The object supposed to be accomplished in having the consent of all, is a better chance of success when the operation is conducted under the joint intelligence of two or more partners. But when this mutual consent is only to be obtained after long and continuous urging on one side, and then perhaps only a reluctant assent at last, as will

generally be the case where the copartners have diverse views on the fundamental principles, the business is likely to be a failure, not only in its theoretical end, but also in its practical end of profit.

The enterprises of a business require a promptness in action to make them profitable, which is only attainable by a full and complete conclusion of the mind, that the end will be a successful one. So long as there are doubts intervening, or a partner who is from time to time urging objections to the transaction while it is in progress, so long will there be hesitancy and procrastination, and therefore unthrift in the business.

It is in this view that Bonaparte's remark that "one bad general is better to conduct an army in battle than two good ones," becomes a truth. The one, from his ability to come to a ready conclusion, will act promptly and with vigor, and even if on account of bad generalship, he is only half successful, still in the main his results will be greater than if two men of superior attainments have charge of the army, when from failure on their part to agree quickly as to the best course to be pursued, the golden opportunities will pass by in inaction.

In business as in war, things are proper to be done or left undone, according to the circumstances of the hour. It may be very desirable to buy or sell an article to-day at the market price, and very unadvisable to do either to-morrow. And a man who expects to succeed in business must therefore make up his mind quickly in view of the present circumstances, and act promptly.

To obtain this advantage in a copartnership it is a good plan for each partner to have a special charge over certain departments of the business, and be the prime mover and operator in these departments; the action of the other partner in them being only advisory or assisting. A very

little common sense induces this kind of division of responsibility in most cases, but it is oftener the result of chance and circumstance, than it is of a calculation or estimation of the peculiar ability of the partner to properly manage the department he takes charge of. Moderation is to be shown by the other partner who has not charge of the department, in urging his advice upon the one who has the charge, lest the latter be induced sometimes to act contrary to his own judgment, with a desire to carry out the wishes of his copartner. Such a course, though it may in some instances prove beneficial to the concern, will in the end be injurious by taking away from the managing partner the burden of responsibility for the success of that part of the business under his own supervision. Probably this influence is most frequently exercised in unduly magnifying or dwelling on the difficulties that lie in the way of any contemplated action, inasmuch as it is not so hard to induce a man to forbear in any given case in which he may be disposed to act, as to induce an action in a similar case when he is disinclined. The precise extent to which advice may go in such cases, depends a good deal on the disposition and character of the partner advised. Some men are naturally so timid and cautious about entering into any undertaking, that a word or two of doubt from even an indifferent person completely dampens their enthusiasm, while others more rash and headstrong need a clear and repeated demonstration of the impracticability and hopelessness of any proposed undertaking before they will give it up. But as before remarked, this advisory influence should never be carried to the extent that the acting partner on the occasion can feel rid of personal responsibility for the success of the undertaking.

In dividing up the details of the business in this way

so that each partner has a certain portion of the business, for the proper management of which he is held responsible, it is necessary to guard against a danger of the opposite character which often finds countenance in partnerships, especially where there are several partners, of too great an independence, or a forgetfulness of the dependence of the business as a whole, on the combined skill of the partners. Each partner gets into the habit of attending to the duties of his special branch, without sufficient co-operation with the other partners. Indeed, they often become jealous of any *interference*, as they would designate a partner's solicitous enquiries about their actions. The fear of this interference induces an unwillingness to give counsel to the other partners in their departments, and thus the chief advantage of the copartnership, —mutual advice and assistance—is lost to the business. The whole business is a unity or one, and should act from one centre of thought, though that centre be the combined skill and intelligence of a dozen men. Each department should be in thorough subjection to the exigencies and requirements of every other department. In a copartnership where one attends to the buying, another to the selling and another to the finances, each independently and without full consultation with the others, it can not be expected that the purchases will be made with as strict a regard to the demand, or the means of payment, nor the sales made always in view of the state of the market and the supply, nor the finances managed so as to have no lack of money, and yet always keeping the capital employed, as when there is a full and free interchange of mutual advice from each one to the others, or in the absence of this, a superior head over all.

Perhaps the difficulty referred to is more likely to occur in partnerships where there has been originally such

a superior head man or principal partner with younger copartners, and the principal partner subsequently withdrawing from the business, leaving the other partners, each accustomed to attend to his department, and all about on an equality of capacity and experience. In such a case, the counselling partner having left, there is no one sufficiently gifted to precisely fill his place, and to combine, arrange, and manage the relations between the several departments, which can only be well done by some general knowledge of them all.

Time and trials usually bring out the best man of the firm, and if ambitious he assumes, or if modest, is called upon to assume the position of leader. This best man would, however, sooner be brought out, and often with less loss to the firm, if the necessity for him were apparent from the first.

Commonly the burden of business does not rest so heavily on a man who is only a partner in a concern, as when he is alone. In the partnership the debts do not seem to be his, nor does the loss of reputation, when the business happens to be a failure, seem to bear so heavily on him. Too frequently partnerships are therefore exemptions of the old saying, that "what is everybody's business is nobody's business." The great majority of instances where equal partnerships have been successful, are those where there was only one leading directing mind in the partnership, and the other copartners were but intelligent and confidential instruments in carrying out his plans.

Such a leading mind is not by any means always found occupying the position of principal partner. Those who have an age and experience sufficient to give them thirty or forty years observation of the careers of business houses, can readily call to mind numerous instances of

firms, that after remaining years in obscurity, at once shot up to a prominence in the community for their enterprise, and quickly accumulated wealth, and can readily trace the cause to the introduction into the firm of some active, energetic man—perhaps a former clerk—whose great business talent was everywhere conspicuous in the undertakings of the firm. Or in like manner will recollect other enterprising and successful business houses, that on account of the ability of some one member, stood in the first rank, and subsequently on his withdrawal, though he was perhaps only a junior partner, they soon sunk into partial obscurity.

We may therefore conclude that for such men of super-eminent abilities, when they have sufficient capital, equal partnerships would not be preferable. They have the ability to conduct all parts of the business profitably, and need not involve themselves in the risks incidental to a partnership.

It is always desirable that there should be socially a unison of views and opinions on the ordinary topics of life, between persons who are copartners in business. Men of differing religious or political belief, particularly if of strong feelings, should be cautious about entering into partnership together. Citizens of different countries are not apt to agree well together. We all have our sympathies for and prejudices against certain classes and things, and though we should endeavor to put them aside in business matters, they can never be entirely subdued. There will always be matters of difference enough connected with the business, even when the most charitable construction is put upon the copartner's actions, and they will only be augmented by social variance. These little differences, too, can never be accommodated and conciliated, except by an abiding faith in the supreme

good intent, and good will of the copartner, a faith very difficult to hold if we are prejudiced against his nation, race, religion, politics, habits, or customs.

The most satisfactory copartnerships have been where one individual has conducted a business in a moderate way at first, and as his clerks grew up under his care and teaching, the gradual increase of the business has made openings for them as junior partners. Their shares, small at first, were sufficient to induce increased exertion on their part, and finally on the retirement of the senior partner, they become equally sharers in the succession. There are dangers incident to such arrangements, needing to be guarded against. There is a tendency often to too much reliance on, and too much waiting for, the action of the older partner on the side of the younger ones, and perhaps a disposition on the part of the older partner to cease giving the attention to the business which is really necessary, on the ground that he now has partners to attend to it, and between them the business loses ground.

The credit of a firm is generally better than that of a single individual with the same amount of capital, owing to the lessened risk of delay in payment of debts in case of death. When a single trader dies, those who have the settlement of his affairs are allowed from twelve to eighteen months to pay in; while in case of the death of one partner of a partnership, the surviving partner is entitled to control the assets of the business, and is himself still bound to meet the obligations at maturity. This circumstance alone may make it sometimes desirable that a partnership should be formed with some one, who is honest and reliable, even if of inferior business talents, so that in case of the death of the principal man, the business can be promptly liquidated.

In localities where rents are high and expenses heavy, and where even a fair business can be readily doubled by doubling the capital and the attention to the business, it may be advantageous for two persons, who separately would be rival dealers, to throw their interests into one concern by forming a partnership. Together they may do as much business as both will do separately, with but little more cost in rent and expenses than one would incur alone.

There are, too, some kinds of business which in their nature seem to require a double service, and cannot be so well conducted by a single person. Such as those where it is necessary to spend a considerable portion of the time away from the place of business in purchasing, or where the article sold is manufactured by the dealer, and the manufacture requires constant attention and supervision. In such cases if the principal is alone in business, and attends to these details, he is much of the time away from the place where the sales are made. Either one part or the other must be left largely to the care of his employees, and either part is too important to be left so entirely to the care of a person having so remote a general interest as is ordinarily felt by an employee. A partnership in such cases is likely to be advantageous, if the proper person can be found.

A partnership should not be too lightly entered into, nor when once formed dissolved on too frivolous grounds. If it does not give promise of durability when entertained, it is best not to form one. There is always considerable waste of time and expense in settling one up, as well as some in entering, and frequent changes will add materially to the cares and anxieties of the life's business, as well as give rise to unfavorable rumors, to the detriment of the parties and the injury of their credit in business circles.

In all cases of copartnership, whether of longer or shorter duration, a carefully drawn agreement ought to be executed, which should include all the details of the method and plan of the proposed business, and the capital and service each partner is to contribute, and especially the manner in which the business is to be closed up and settled at the end of the partnership. And it is well also to include a prohibition against such practices or course of life of the partners as would injure the business or the reputation of the firm.

The necessity for such an agreement is particularly impressed on the reader—first because the inception of the idea of a written agreement leads to reflection upon what it ought to contain, and naturally to a fuller conference between the parties as to the matters connected with the partnership and business, by which each one hears something more of the expectations and wishes of the other, than he probably would otherwise; and secondly, so that what is agreed on shall be legally binding, and not liable to be forgotten afterward.

Such an agreement cannot ordinarily be properly drawn except by a competent lawyer; yet the parties should always first sit down together and make a rough draft, embodying all the details that occur to them as desirable to be embraced, so that the lawyer may know more clearly what they wish him to incorporate in the agreement. In this way, too, they are more likely, with the addition of the lawyer's advice, if he is a man of experience in these matters, to get all the details which ought to be embraced in such an instrument.

In cases where the partnership has been formed without any agreement as to the method of division at its dissolution, difficulty is sometimes found in making an equitable division of the assets.

Ordinarily the partner wishing to withdraw from the business and take out his interest in cash, has to make such sacrifices on his share as will induce the continuing partner to buy him out, and it is a mere matter of bargaining as to what he gets. But this partner may not wish to dissolve the copartnership, and hence declines to give anything near a fair value for his partner's share. Indeed, it will often occur that the continuing partner has not means sufficient to pay cash, and the one that could advance his pecuniary interests faster in some other connection, is often on this account compelled to remain in a copartnership which is unsatisfactory.

When a person wishes to withdraw from a partnership, and does not need the money, he may sometimes negotiate a better sale of his interest by taking the obligations of the continuing partner, payable at such times as may be mutually agreed on, longer or shorter, according as he is getting a higher or lower price for his interest, or according to his own future necessities for money. In this way the continuing partner has the use of the whole capital for a time, in which he may re-arrange the business on a basis commensurate with his own means, and he can on this account often afford to give much more for the retiring partner's interest.

When such an arrangement cannot be effected, it is sometimes possible to get a third party to buy out, and take the place of the retiring partner. Of course the third party must be satisfactory as a partner to the one who remains, as he is not bound to accept any one. Ordinarily, however, when one member of a firm has made up his mind to leave it at the first opportunity, he does not give his heart to the business afterward, and is therefore not so valuable in the partnership as a man of really less ability would be, who is anxious to embark in the business.

When no arrangement can be made to sell out, the only resource is to divide the assets as equitably as possible. In doing this, there ought first to be set aside sufficient of them to pay off the indebtedness of the firm, if any, taking care also to provide for existing or running contracts, as rent of store, clerk hire, and agreements for the purchase of goods which are yet to be delivered. The best assets for this purpose, after the cash itself, are the accounts owing to the firm. When there are enough of these which can be set apart, the dissolution is much simplified, as they are easily managed, and any surplus of them left after paying the debts of the firm, can be divided without trouble. When these are insufficient, and the money has to be realized from the subsequent sales of goods, there will be more difficulty to provide for the debts. It will then be more equitable generally for each partner to take his proportion of the goods, and furnish afterward his share of cash towards paying the firm's debts as they become due. It may sometimes be desirable that each partner in taking in this way his share of the assets under his individual control, gives some security to the other that his share of the money to pay the indebtedness will be forthcoming when it is required.

On account of the necessity for this provision for the payment of the debts of the partnership, it is always advisable to prepare for the contemplated dissolution by selling the stock and paying the debts off, as far as possible.

When the liabilities are thus provided for, the division of the balance of the assets can be made in various ways. A very common way is to appraise carefully their value, and make them up in lots, say fifty or a hundred, and let each partner select alternately from them, choosing such as he likes best or thinks cheapest, until

one has his full quantity, when the other takes the balance. Or, if it be thought too much trouble to so carefully appraise the value of every article, as it would be proper to do in dividing in this way, the goods can be inventoried at cost, or at such reduced price as may be readily fixed on by a cursory examination, as in taking account of stock ordinarily, and then made up into lots of a convenient size, that the business may be more quickly dispatched; which can be conveniently done by taking a page or a part of the inventory as one lot. Then the partners bid on each lot, taking them in regular order just as though they were buying from third parties, bidding less than the inventory price, or more, as their judgment may dictate; the highest bidder being the buyer of the lot, which is then charged to his account at the price he bid. When one partner, by his purchases in this way, has bought his share of the stock, the other takes the balance—whatever may be left—at the inventory price. This is a very fair way, as each one can bid up on the lots he likes best, but it requires some care and consideration as to the position on the inventory of the most desirable goods. If, as is often the case, the inventory is commenced with the leading and most saleable articles, and the end of it has a lot of trashy or shopworn goods, which though taken at seemingly low prices are unsaleable, the one who bids up so as to first get his share, will generally have the best of the division. The one who is not buying his full share of the lots, needs always to keep in mind that he may have to take the poorer goods at the end of the inventory, at the price marked, to make up his proportion.

When the business is one of a mixed character, and the dissolution of partnership is brought about that the business may be divided, and each partner continue on in

separate branches, as sometimes will be the case, such a method of dividing will not be appropriate. As each one would only want the lots of goods which the other did not want, there could be no healthy competition in the bidding. Under such circumstances, when the parties can not agree as to the fair value of the goods that each wishes to take, it is best to have them appraised by a third party.

Necessarily the difficulty of making a division of the assets, and the loss which may be sustained by a partner who wishes to withdraw from a copartnership, will often overbalance the expected advantage of another business pursuit in which the withdrawing partner designs embarking, and he will thus be induced to prefer remaining in the old connexion. Therefore it is never wise or prudent for a man in a partnership to make actual engagements in connection with a new business until he knows exactly how he is to withdraw from his present one: and such an appraisal of the goods might well be only a conditional step to withdrawal, which is not to be made final and conclusive until after he sees the rate he will be charged for the goods he is to take, and finds all the conditions of the dissolution satisfactory.

The natural tendency in most people to over-estimate the value of any property they hold, or in which they have an interest, should induce caution in buying out a partner. Of the instances of such purchases which have come under the writer's notice, in the large majority the error has been on the side of giving too much. The cost of the goods, though most frequently the basis of their estimated value, is no certain criterion. This may be called the *seller's rule* for the value; it can rarely exceed this sum, and may be much less. In estimating the value of any article, therefore, the cost price should be

borne in mind, subject to such reduction or modification as circumstances render necessary, and which are likely to vary with every separate article.

It is often said that the worth of an article is what it will bring. But neither is this always a correct rule. This may be called the *buyer's* rule for valuing, and an article is rarely worth less than it can be sold for. Still it must be remembered that it costs something even to sell the article, and the one who buys to sell again must live by the sale, and hence not only the cost of selling, but a profit must also sometimes be allowed for. For instance, a pair of shoes may have cost five dollars at wholesale, and could not be bought for less; but on account of being shopworn they would only readily bring the five dollars at retail. A fair allowance for profit from this ought therefore to be made in estimating their value, as between partners, and if such shoes ordinarily sold at a dollar a pair profit, the value of this pair would be really four dollars only.

Nor would this rule, unless modified, on the other side, always do full justice to the seller. Particularly in such things as might be regarded as the tools of the trade—as fixtures, machinery, etc. A platform scale, for instance, for weighing coal and hay, which had been in use for two or three years only, and but slightly worn, would not probably bring—if to be removed—one-half its cost, owing to the expense of resetting, while to the dealer using it, it would be worth possibly within twenty per cent of what it cost; and if he could not get another readily to replace it, it would be worth to him often even more than it cost, as without it his business could hardly be conducted.

The plan for estimating the value of such partly worn articles, is to take their present new value by a fair comparison with other and more improved articles of the

kind, if any, and from this deduct the worth of the materials after the article may be regarded as worn out. The balance is the amount which is to be sunk through the number of months or years it will last. To properly divide this loss, in most articles a liberal allowance must be made in favor of the last half of the period of wear, owing to the increased cost ordinarily for repairs, and the less perfect working of the article in the later period.

A grocer's wagon, for instance, might fairly be regarded as half worn out whenever by actual wear some part gave way and required to be renewed. Though on a cursory inspection it may seem nearly as good as new, a certain amount of wear has taken place in all its parts, and they may be expected to give way, one after another requiring frequent repairs, the cost of which alone will go far to balance the benefit of its use. So that the last two years of its use would not probably be so advantageous to enjoy as it would be to have one year's wear of it when new.

CHAPTER XX.

INFLUENCE OF SOCIAL INTERCOURSE ON BUSINESS.

WHILE a man who prudently and intelligently purchases his goods, and sells them at reasonable profits, and in a manner pleasing to his customers, and faithfully attends to his business, will generally succeed in making money, it is noticeable that some of those who do so become more popular with the community, have a larger circle of customers, and make money faster than others do, who are equally faithful and skillful in all that appertains strictly to the business.

This success is sometimes the result of family influence, the one having a large circle of relatives in the community, who are interested in his advancement, and not only patronize him in their dealings, but use, also, their influence over their acquaintances in his favor, while the others have no such advantage.

This is of course an advantage which one man is born to, and another not, but there are many favorable influences in social life which can be honorably subordinated to a dealer's interest, if he gives the subject the attention it deserves. Inattention to them will not especially endanger his prosperity, but it may seriously retard it, and compel him to labor a life time for the same reward which with their favor he could obtain in comparatively a few years.

In business, the next best thing to having many friends, is having many acquaintances. The first are hardly won by years of honesty and integrity, but the latter are the daily rewards of a courteous and affable demeanor.

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We employ our physician and lawyer, deal with our baker, butcher, coal-man, grocer, druggist, smith, shoemaker, tailor, etc., not half the time because they are the best of their kind, but simply because we are acquainted with them. They go to our church, belong to our society, lodge, or company, or we meet them socially at the houses of our acquaintances, and when we need any thing in their vocation, our thoughts revert naturally to them, as able to supply our want. And it is besides pleasanter to deal with those with whom we are acquainted.

It should, therefore, be the aim of a retailer to enlarge and extend his circle of acquaintance among those who are so situated in life as to be customers to him; as far, at least, as he can without taking too much time from his actual business. He should not become so tied down to the details of his business as to feel that an hour or an evening taken occasionally to attend to social interests is entirely lost to him. On the contrary, he should feel a citizen's interest in all the moral, intellectual and benevolent enterprises and associations of his neighborhood, and take part in them. I do not mean to inculcate the duty of doing this as a business expedient, or that he should thus go among his fellow men, as it were, drumming for patronage. Nothing is more odious than to see a person in social gatherings soliciting custom. He should pursue such a course, simply as he would be honest in his dealings, not because it is the best policy, but because it is right. The influence of an intelligent, upright business man in a community ought to be beneficial, and it is his duty to extend such an influence in all legitimate and proper ways, not looking to any reward which may be made to him therefor, or thinking that he earns any thereby, but at the same time receiving the compensation as the result of an acquaintance originated from other motives.

It is not necessary that a retailer who thus connects himself actively with associations in the community, should take upon himself duties in official positions in them which greatly take up his time or interfere with his attention to business. He can be content with minor offices which will give him opportunities to be useful, as well as bring him in personal contact with the members of the association. Thus the office of treasurer is preferable to that of president or secretary; in a military corps that of major or lieutenant rather than of colonel or captain. Such subordinate positions ordinarily have less arduous duties, and therefore do not make such serious demands upon the attention due to the business; nor are they so likely to excite the envy of the dealer's associates.

There are in every community more or less of associations in which a person may take part, or not, as his interest dictates. There are no moral obligations involved either way. In such as these a dealer can properly consider the popularity of the association. In a Quaker community, membership in a military company would not add much to a dealer's influence; and more may be lost than gained in this association in any locality, unless great caution is exercised in keeping the expenditure therein, of time and money, within due bounds.

Neither can political associations be greatly recommended as productive of increased gain to a man's business. While it is incumbent on every man in a republican government to vote, and to make no secret of the nature and character of the ticket he intends to vote, and be ever ready in a modest way to give a reason for his political views, it is very bad policy for a retailer to turn his storehouse into a political club room, and have it known as the headquarters of this or that party or clique. While party feeling runs so high, he can only expect to

make enemies of those opposed to him politically, while many of his own side will be jealous of his position and influence in the party, and will be only lukewarm friends at best. Ready to say—when, on account of neglecting his business, his trade is broken up—"poor fellow, he would have done well enough if he had only let politics alone," but at the same time quite well satisfied to see him out of the way of their ambition.

It is always an advantageous position for a dealer, to be considered by the community as having the leading store in the place in which he is.

Usually this honor is accorded to the one that has the largest and most varied stock of goods, and who does the largest business. But it sometimes happens that a dealer doing a smaller business, by careful attention in selecting choice styles of goods, and being the first to introduce new designs, obtains a higher reputation as a leader, and gathers around him a class of customers who are leaders of the fashions and opinion in the community; and by his courteous manner of dealing, and possibly his deserved social standing in the community, earns for his store the reputation of being the leading one, though there may be others that do a much larger business than he does. There must, however, be a spirit of popularity in such a business—it must be a growing one—and seem to be moving onward to a higher position, in point of magnitude of sales, than those around it, or it will only be patronized by the select few, and will fail to receive the sympathy and patronage of the great body of the people. We all like to take the coming man by the hand, that we may say in after years, we appreciated him before the world found out his merits. So we like to deal with those that we think will by and by be great men in their vocations. In future years when Mr. A. has grown to be a millionaire, and

in a magnificent five story marble front store, we shall be happy to remind him that "we were among his customers when he kept store in the little dingy brick around the corner," and shall expect then to have greater affability and better bargains from him.

It is of importance for a retailer to take some trouble to accommodate and conciliate the leading people in the community—those who to some extent give tone and color to the prevailing opinions. These are not by any means always the most wealthy people, as is quite generally supposed. They are the talkers—the visitors around—a half dozen of whom may easily make or mar the reputation of a dealer as they speak well or ill of him. Generally it is not hard, in small towns especially, to select out this dozen or two of the community, and by special attention to treating them liberally keep them on the dealer's side.

There are some injurious influences arising from social intercourse, which it is necessary to guard against.

One is the tendency to form cliques and caucuses among those who assemble from time to time around a dealer's store, as referred to a page or two back in reference to political matters. But it is not always confined to politics. Men of the same sentiments in any association, naturally delight to get together and talk over their views, and arrange plans to carry them out in the regular meetings afterwards. A retailer may often be led by a few such to take sides with them, and they meet at his place of business to consider and arrange their plans. The first thing the opponents of these particular views know about the movement, is that it is sprung upon them at one of the regular meetings of the association, and carried through before the objectors have time to organize an opposition. Subsequently those opposed condemn the

action as the work of a clique around —'s store; and the proprietor comes in for the largest share of their animadversion, though possibly he had but little to say in the matter, merely giving it his countenance. It would be better for the retailer, if his particular friends in the matter felt that he could not be trusted to second any underhanded attempt to carry out their peculiar ideas, and should therefore refrain from canvassing the matter at his store, or in his presence; or if they did not, that instead of countenancing their projects, he should take good care to condemn all such secret plotting, as at least discreditable, if not dishonorable.

Another danger arising from social intercourse, is the tendency which the diversions and duties thereof have in causing a neglect of the dealer's business. It is somewhat difficult for a person—no matter how strong his resolution—to take a hearty interest in the operations of any association, which in its details requires the time of some of its members, without gradually yielding to the occasion and allowing such demands to absorb more of his business hours than is profitable. That some time is necessary to be given is admitted; exactly how much must be the consideration of the individual, in view of the circumstances of his position. Whatever he may, on full view of the matter, decide as proper, and within his ability without risk of neglecting his business, to so much he should restrict himself, whether one hour in the week, or one hour each day—taken at the most favorable period. Instances are frequent where retailers are drawn into one association after another, becoming president of this, secretary of the next, and treasurer of another—possibly director in a fourth—so that fully one-half their time is taken up with these matters, to the manifest injury of their business.

Another danger from social influences, is their tendency to so bind a man to a locality that he is unwilling to leave it when such changes occur decreasing the population, or increasing the rival stores, as to make it of great advantage to him pecuniarily to seek another location for his business.

One of the principal reasons why people of foreign birth are so often more successful in business than the native born, is their indisposition to remain long in any place after their trade becomes unprofitable. Strangers alike in all places, all are alike agreeable, or disagreeable, socially, and there are no strong friendly ties to be ruptured when interest prompts a removal.

Society exerts a great influence on a dealer's ambition—sometimes, no doubt, beneficial in inciting those to efforts, who without the influence would be indisposed to strive—but too often the influence is pernicious. A man who starts in life in a modest way, aiming to make only a certain reasonable amount, after which he purposes retiring, and giving place to others more needy, often finds that the tinsel and frippery of fashionable society, and the love of display, have so invaded his home, and too often his own heart, that he is under the necessity of continuing on in business long after he has reached the goal he originally started for. So powerful are these influences that men are often allured by them to all sorts of dishonesty, and become swindlers and rogues, to obtain means to satisfy their insatiable and mischievous desire for ostentatious display.

The retail dealers throughout the country can do much to keep in check this national sin of extravagance, by a prudent and unostentatious style of living themselves, and by their example and advice discourage it in others. In rural communities the retailer generally holds such a

position that he has a large influence in this matter on those around him. Too often, unfortunately, it is so used as to lead the community to greater extravagance.

As in any given locality, the morals of the people will be mainly a reflection of the character and faithfulness of the clergy; their health of the wisdom and skill of the physicians; their domestic comforts of the industry and thrift of the producers; so will their responsibility and promptness in pecuniary matters depend very much on the business character and habits of the traders among them. If they inculcate the duty of exactness and promptness in fulfilling all contracts and promises, no matter how trifling, and uniformly manage their business on these principles, not only strictly carrying them out in their own obligations, but strictly requiring them of others, they will keep alive and active that high sense of honor in the community, which induces a man to consider his word as obligatory as his bond.

All that is necessary, beyond their own example is the general commendation of those who conscientiously and faithfully fulfill their promises, and an extension to them of a higher degree of honor and respect, no matter what may be their comparative social position in the community; and as general a censure of all that neglect such duties, and a withdrawal of confidence to a greater or less extent, according to the demerits of the case.

Too often a customer, who by his actions, has repeatedly shown that he feels no conscientious obligation to pay his debts at maturity, or within any reasonable time thereafter—and postpones payment until the money is fairly worried out of him by dunning,* at an expense of time and thought, quite sufficient, if differently directed, to earn the amount of the debt, will be immediately en-

treated, on the payment of the debt, because he is known to be wealthy, to renew the account by the purchase of other goods on credit; receiving in all respects as affable and generous treatment as if he had paid honorably and punctually according to his promise.

When men in the community who are well able to pay, are treated with so much lenity in their defaults, it is not strange that those less able should think that there is but little honor or respect gained by promptness in meeting their obligations, and so gradually decline from their ideal standard of moral rectitude.

If the dealers in any given locality would have the independence to adopt and practice the course suggested, they would soon find it a pleasure to do business, instead of a continual toil and exasperation, as it generally is when the dealer, having lax ideas on this important duty, virtually teaches the community to disregard these obligations, or to yield only a tardy and grumbling compliance when urged again and again.

CHAPTER XXI.

ON BUYING GOODS AT AUCTION.

THE plan of selling *dry goods* at wholesale by auction seems yearly to increase in favor, and no retailer of this kind of goods, whose business is of any extent, can expect to cope with the competition he will inevitably meet, who does not to some extent adopt this plan of purchasing. Like many other things, it may be done to excess, and probably he who buys the half of his goods at auction, will be about as badly off as he who never buys any there. Though he may have his stock of goods cheap enough, he will have a great many articles not adapted to his trade. As auxiliary, though, to private purchases the auction room offers great advantages.

Originally this plan of selling goods was only availed of in times of great mercantile distress, to raise money, or near the end of the season to close out certain kinds of goods, which in another year might be out of fashion, or for the sale of antiquated, imperfect or other undesirable goods which the wholesale dealer either would not, or could not sell to his regular customers. And it was then, as a general thing, only at the periods of the year when the retailer was more anxious to sell than to buy, that really desirable goods could be obtained in the auction room. But within the last thirty years this has materially changed, in New York city at least. And while the same circumstances as before still continue to furnish goods for the auction room, other influences induce many importers and manufacturers to sell their desirable goods

in this way, at the time of year when they are most in demand. And that retailer must have a very fastidious set of customers indeed, who can not every week in the season find in the auction room such goods as will suit his trade. The main consideration will be, therefore, the ability to buy them at right prices.

There is a great deal of art in buying goods in the auction room, doubtful though it may seem when "the highest bidder is the buyer," but it only needs a visit or two there to see that experienced buyers often succeed in obtaining a lot of goods out of a line at a price five or ten per cent less than others pay.

As most of my readers probably know, goods are frequently put up in the auction room in "lines" of four to six, or more lots, each lot alike or nearly so, the line being the contents of one case of goods, and there is but little difference often in the various lots in the line. A retailer in a distant town, not much accustomed to buying in the auction room, remarked to the writer, one day after the purchase of several lots of goods in such an auction sale, "These auctions are queer places to buy goods in. Whenever I buy the first lot in the line, to make sure of having one, the price always falls off on the other lots, and when I let the first lots go, and buy towards the end of the line, I have to pay an advance. I don't understand it." Yet naturally this is the result when no shrewdness is exercised. If even one buyer withholds his competitive bid the price recedes, and when he comes in again the price advances.

Inexperienced buyers often pay in this way higher prices, from too readily concluding that the price at which they buy is the lowest the goods will be sold for, simply because it is lower than they have been asked for the goods at private sale. But the shrewd business man

will never be satisfied that he has bought an article cheap enough if another buys it lower an hour or two afterward.

To make a good buyer at auction, it requires several things; among them are:

1st. A knowledge of the relative values of different qualities of goods, and in this to be able to decide when there is no real difference in quality; so as not to be misled by catalogue descriptions of "finer," "superior," "extra," etc., applied to a series of lots of similar goods, the quality of some of which does not vary, while of others it may.

2d. A knowledge of the prices at which the goods have sold at previous sales, and their price at private sales, so that more is not paid for them than they can be bought at in private.

3d. Good judgment as to how prices will tend for the day, or are generally tending, whether upward or downward, and how much either way—as governed by lateness of the season, general dullness or activity of trade; and sometimes by circumstances connected with the day and location of the sale, which keeps back buyers, or brings them out in larger numbers than usual.

4. A well-timed promptness and energy in bidding at the right moment—neither so eager as to unduly run up the price, nor so dull and slow as to fail of getting such lots as are wanted, except by paying an extra price for them.

5. Such repression of feeling, that no visible manifestation is made of the desire to buy any special lot or style of goods.

None of these are difficult for any ordinary business man to attain. They are indeed required to some extent in buying in private, though the exact knowledge of the

price of goods is not so essential in buying of a reputable house in private, as the seller there makes the price, and if too high he is liable to reproach afterward, and often has to make a reduction to retain his customer, while in the auction room the buyer makes his own price, and has no one to blame if he makes it too high; as it is the auctioneer's duty to get the best price he can for the owner, and ignorant buyers bidding against each other will often run the price of a lot of goods up ten or twenty per cent above private sale prices. The buyer at private sale ought indeed also to know what the goods have sold at in auction, even although he may not be able to buy them there at that time; as they may be in the hands of his rivals at such prices that they can afford to sell them cheaper than he can now buy them.

In making an estimate of the price or value of any specific lot of goods in an auction room, while the buyer ought to know the private sale price so as not to bid over that, yet it is not safe to be too much governed by it, and decide that the goods are cheap simply because they are even much below that price. The private sale price is generally based on the cost of manufacture alone, while the auction price is based on the customer's appreciation of the goods in comparison with other goods of like character of different manufacture. One man may not have the facilities another has for manufacturing cheaply, and his goods are rated ten per cent higher, though really no better in the eyes of the consumer. Claiming that they are brighter in color, smoother in finish or more durable, he may succeed in selling enough of them at the ten per cent higher price, to establish for them a sort of standard price at private sale, but they would not be cheap to buy in auction at ten per cent reduction. Again, an importer will order a dozen different styles of goods

from a European manufacturer, all at the same cost. He holds them all at the same price, and may sell eight of them out at private sale. The other four being inferior in color or style do not sell, and are sent to the auction room. They may not be so cheap at twenty-five per cent reduction as the choicer styles were at the full price. New styles of goods are often sent out from the other side of the Atlantic to try the market; they do not suit the taste of the community, or perhaps better goods are made here at home at less than they cost, but they will be held, sometimes for months, at private sale, at an enormously high price, and when at last they are turned over to the auctioneer by order of their owner, they often prove a losing speculation to the buyer, who concluded that they must be cheap, because he bought them so much less than the private sale price.

The prices of goods generally decline as the period of the year passes by in which they are in demand, and though this reduction takes place in private sales as well as in public ones, it is noticeable that the public sales generally lead the decline. A temporary dullness in trade at private sale is one of the chief inducements for putting desirable goods in auction. The wholesale dealer or importer is disinclined to make such reductions in price as are demanded, and the result is a lull in business till a trial is had at another public sale, and the old standard of prices thereby sustained or a new one formed. Sometimes after goods have been sold very low early in the season at auction, and the wholesale dealers seem to have conformed to the low price in their private sales for a time, business becomes so good that an effort is made to advance prices, and the auction test being again applied, it is found that they bring higher prices. These fluctuations in price will sometimes be from ten to fifteen per

cent during the season, without the goods being specially lower in price at the end of the season.

- Again, sales will take place on days when buyers are very busy at home; or when the weather is inclement, and they would not freely come from a distance; or there may be other sales of somewhat similar goods going on the same day, so much more important as to draw away buyers; or recent heavy sales of the same kind of goods where many were fully supplied with them, and will not be buyers now; any of which circumstances may have an influence on the prices for the day alone. All these matters require to be well weighed before this estimate of the price can be properly made.

The practical part of the work is of the utmost importance. The catalogue should always be carefully marked beforehand, and no one not well acquainted with the work should undertake to buy goods in auction on the spur of momentary excitement, or without having previously made a thorough examination of the goods and carefully marked his catalogue. This should be done at an early hour of the day before the sale commences, or at least before it reaches the lines of goods that are desired, as it is no time to make a proper examination of them surrounded with the noise and excitement of selling. In marking the catalogue, special care is always needed to compare the number on the lot of goods intended to be marked with the catalogue number, as through the many handlings which the goods receive from the different buyers, they are often misplaced in the line, and mistakes occur in this way, the buyer marking on the catalogue an entirely different lot from that he looked at.

As it is one of the ordinary auction rules that "widths, sizes and descriptions of goods are not warranted," it is

well in these examinations to correct the catalogue in the more important particulars; such as where goods are catalogued as thirty-six inches wide, which are only thirty inches; or called six-fourths when only three-fourths; or when in lines of goods the description on the catalogue indicates by such terms as "finer," "superior," "better," etc., that each succeeding lot of the goods increases in value, when there is no real difference. When such errors as these are left unnoted, there is a tendency sometimes, when the moment comes for buying, to suppose that a mistake has been made in marking, and the buyer loses confidence in his own ratings. The extreme or very highest price which the buyer will pay for the goods, is the one that should be marked, and not, as is often the case, some very low price, at which it is hoped the goods can be bought for. It does not follow because the full price is marked on the catalogue that the goods shall not be bought as low as they can be, while if a low price is marked, and the buyer allows himself to go beyond it, he has no limit, and very often in the excitement pays more than is proper for his goods. Besides, goods always seem cheaper when in store than have been bought under than over the mark. When the buyer determinedly adheres to the prices he has marked on his catalogue, and will not go beyond them, (as he ought not to, except in very extreme cases,) if he has marked his catalogue too low, he shuts himself out from purchasing the lots which are most desirable for his trade, or which please him best, by thus marking them; and feeling the necessity of buying something, he will take a lot here and there, which he did not mark nor carefully examine, on the strength of some other person's purchases, but which are really just as high in price as the more desirable lots, which he failed to get from marking them too low.

It is very unsafe for a retailer to buy on the strength of another person's purchase in the auction room, even though he may know the person to be a good judge of the value of the goods. The purchaser may have an interest in running up the goods. Besides, each dealer's customers, to some extent, differ, and what would be desirable for one to purchase might not be for another. When the buyer does not feel fully satisfied with his own conclusions as to price, and that will often be the case, it is a good plan to mark two prices—at least on those lots of goods which he especially desires—one which he regards as the fair value of the goods, according to the then circumstances of the trade, and the other the utmost that under any circumstances he will give for them. Then when he bids up to the lower price, he can suffer the tendencies of the day's sale, and the extent of his previous purchases therein, to govern him about going up to the higher price.

In buying fancy-colored dry goods, there are often certain colors which make one or more lots out of the case more desirable for the buyer's trade. As the choice of lots is offered in the line comprising the case, some little management is necessary to get the desired lots without paying an extra price for the first selection. If the colors desired are those generally sought after, and there is but one lot in the line containing the color, there is no other way but to bid up and get the first choice. But it often will happen that the special colors wanted are not those most in demand, and in such circumstances it would be unwise to bid up for the first choice. For example, suppose that in a case of French merinos, comprised in six lots in the auction room, there is only one piece of scarlet, which a buyer wants, among other colors, and at the same time scarlet is so much in surplus that when sold alone it does

not bring within twenty per cent of ordinary colors. This surplus of scarlet color would probably cause the lot having the piece in it to be one of the last taken. Naturally the person bidding for the first choice pays most, and the price falls off a little, according to the desirableness of the different colors in each lot. If the buyer who wants the lot with the piece of scarlet in it holds off till two or three lots are sold, he will have a fair chance of getting the one he wants at a less price. There is, in such instances, too often a fear that the special lot may be taken, and he will therefore miss getting it; but even then there is not much loss, if he gets all the colors he wants in another lot, except the scarlet, as on account of its abundance in the market he could probably purchase a piece of it at private as cheap as it sells then in connection with the other colors. Indeed the purchaser of the lot with it in, if sought out, will often be found to have selected that lot for some other colors in it, and will be glad to get the piece of scarlet off his hands at cost. Of course, before a buyer can use this kind of finesse advantageously, he must know something of what other buyers are in need of, as well as what he needs himself, which is ascertained to a great extent by being among them and conversing with them at other times.

An intimate acquaintance with the auctioneer is quite necessary to enable a buyer to obtain these little advantages. A nod, or wink, or almost a look from an old buyer is sufficient for a bid, and the auctioneer's attention is turned often towards such persons, looking for the signal, while the intimations of the stranger, intended for bids, pass by unheeded, not being understood except when very open and apparent. And when three or four are calling out their names simultaneously for some special lot of goods, the most familiar name is likely to be

first called. Hence the first thing for a new buyer to do is to make his face and name familiar to the auctioneer. This he can do socially, by such advances or means as he may find best suited to the case. It ought to be more than an ordinary acquaintance, and should reach to a kindly feeling, or at least all unkindly feelings, if any exist, should be allayed. To this end honest and straightforward dealing, when buying goods, is essential; as standing to a bid when once made, or not denying it, as is often done; nor should any dispute be made about the price of goods if it can possibly be avoided. The most honorable auctioneer may seem sometimes to have run up the price of the goods without a bidder. It must often happen that he forgets who made the last bid, and the price perhaps being a little high, he fears that the bidder will not claim them when they are knocked down, and therefore calls out the name of the one he thinks was the last bidder. The person whose name is thus called may deny that he bid with such manner and tone as to convey the impression that he thinks the auctioneer is trying to cheat him, and thus arouse an unpleasant feeling towards him in the mind of the auctioneer, or he may relieve the latter from his unpleasant predicament by simply saying, "I did not mean that for a bid," or "I wish you would let me back out from that," or some remark of such import, that will not lead the buyers present to think the auctioneer at fault; and by so doing create a kindly feeling in the auctioneer towards him. Though the auctioneer can not always know from his catalogued price whether the lot he is selling is really cheap or not, he very often does know, and his friendliness may save a buyer from many a hard bargain, or his enmity cause him to pay much more for a lot of goods than he otherwise would.

It is often of great importance to get in a bid just in

the right place. After an article is over fifty cents in price, and up to, say two or three dollars, it generally is advanced five cents at each bid, though sometimes only two and one-half cents, of course when near being struck off one cent will often be taken, but as a general thing only when two claim the even bid. And it is very common, as we all know, to fix even prices to goods, as \$1.00, \$1.50, \$1.75, &c. Suppose an article be started at \$1.25 by one of two bidders, both of whom have marked it at \$1.50, the second bidder's advance would be to \$1.30, the first one again \$1.35, the second \$1.40. Now, it will be plain that if the first bidder goes to \$1.45 the second will in all probability go to \$1.50, and get the lot. The first one should therefore break on the regular advance, and call out \$1.42½, leaving the second to make the next ordinary advance, which will be to \$1.45, when the first bidder again takes it up by bidding at once to \$1.50, and unless the second bidder will advance the ordinary bid of five cents probably gets the goods. The advance at one bid from \$1.45 to \$1.50 is preferable to an advance to \$1.46, which very prudent buyers sometimes adopt in such cases—as in the recurring bids the \$1.50 bid would come to him should the competition run it up so far. But generally one cent bids only lures the competitor on, and when \$1.50 is reached, the second bidder is tempted to bid one cent more than he marked the goods, and that rate of advance is by that time so established that the price will run still higher. Indeed, in bidding the \$1.46 the auctioneer might possibly go to \$1.47½, giving the second bidder the chance to come in on the \$1.50 bid. The disposition of an auctioneer to sometimes advance the full bid, though a smaller advance was actually bid, is often an advantage to a shrewd buyer. Under circumstances such as above mentioned, when the bid is at \$1.40, and

two and one-half cents more is bid, the auctioneer may decline to take it and go to \$1.45 for the first bidder. Now, if his competitor is not very shrewd, he may argue that the first bidder will decline to take it at \$1.45, as he only bid \$1.42½, and think that he will come in when it is knocked down and take it. He will be at least loth to bid to \$1.50, in the prospect of getting in at the \$1.45 bid, and consequently the first bidder should quickly, by some quiet indication, let the auctioneer know that he assents to the advance to \$1.45. Sometimes buyers in these cases do not give this indication and the competitor or some third bidder does; and though when the lot is struck off to another, the first can fairly claim that the bid was taken as his, and he is willing, under the rule that "when there are two claimants the lot must be put up again," to advance another bid, it does not work well; an excitement is created, other bidders perhaps come in, and the goods are run up above his mark.

On any short line of goods, of say half-a-dozen lots, or what may comprise a case or bale, when they are all about alike in value, it is a common custom to give the "choice and privilege," that is, the person to whom they are struck off may select any one or more of the lots, or take them all, at his option. This is advantageous to the owner, as, if there are but two persons, each wanting a single lot, their competitive bidding will run the price up to about the value; and if it does not, the goods are passed when the first buyer has taken what he wants. If the price first made is satisfactory, the other bidder or any others may take a lot, if he or they will, and then the balance are passed. Of course it may often happen that two such bidders alone run up the price beyond the expectations of the seller, who would gladly concede from the price they make to close out the balance of the lots,

but as there are no other buyers wanting them, he regards it as unwise to unnecessarily offer them lower.

When a person wants to buy a lot in a line so offered, it is advantageous to him to be in such a position as to see who his competitors are. From the magnitude of their business and what he has seen of their previous purchases, he can judge somewhat of the probability of their taking the whole line, and hold off or advance in his bid accordingly. Suppose, for instance, in a line of goods offered in this way, a dealer desires to buy a single lot, and has marked to go as high as one dollar. He starts the goods at seventy cents; we will call him No. 1. He notices that he has two competitors bidding on the goods, one of whom we may call No. 2, who ordinarily buys only single lots, and the other, No. 3, a buyer for a large house, who often takes the whole line. The price has reached 90 cents, which is the bid of No. 3. No. 1 bids 92½ cents, and No. 2, 95 cents. No. 3 has withdrawn and does not bid again. Now, No. 1 in ignorance of his competitor, might bid up to \$1.00, his marked price, fearing that the whole line would be taken; but knowing who is his competitor, he can be very confident that if struck off to him at 95 cents, he will only take one lot, and an opportunity will be afforded him (No. 1,) to get a lot at the same price, or possibly even a chance of the price falling off to his bid of 92½ cents. The risks against his getting it are mainly two: one that the larger buyer, who has stopped at 90 cents, is lying in wait to come in and take the balance at 95 cents so soon as the first bidder is supplied; the other, that on account of the low price the owner will pass the balance. The probability of either of these events is to be considered before the goods are struck off at 95 cents. It may be sufficient to induce an advance to 97½ by bidder No. 1. An acute observer may detect in buyer

No. 3 a longing for the opportunity to come in and sweep the line, or he may see an unconcern which indicates the absence of any desire for the goods at a price above 90 cents. In like manner, the language of the auctioneer or owner (if present) may be so forcible of an intention to pass the balance, if the first lot taken sells at 95 cents, that it may induce him to make the advance. Though this is not always a safe guide, being frequently used to stimulate the bidding; still, close observation will generally enable a buyer to tell whether the owner is really in earnest about passing them. When a bidder does advance after the express assertion that only one lot will be sold, if they are afterwards sold at less price, he has a fair claim that his lot shall be reduced to the same price as the balance sold at.

Some kinds of goods are so much injured by the rough usage of the auction room, that instead of exhibiting lines of them, only one lot is sampled, and if that brings a satisfactory price, "duplicates" are offered. When the duplicates are noted on the catalogue or otherwise mentioned, the same management can be used to get a duplicate lot at a low price, as in buying from "lines" of lots. When the existence of duplicates is unknown but suspected, there is no harm in asking if there are any, and governing the bidding according to the answer. Ordinarily a duplicate is worth more than the sample, on account of being in order, but it has its drawback in often being inferior in quality, or style, or assortment to the sample, owing to the tendency that most men have to pick out the best to show; on precisely the same principle that the best peaches are very often put on the top of the basket.

In this connection it may be appropriate to remind the novice in the auction room that as much is to be learned from what the auctioneers and owners do not say, as from

what they do. When the bidding is progressing on a line of goods, as above mentioned, and it halts at about 87½ cents, notice may be given with some emphasis that only the one lot will be sold, which notice is frequently repeated as the bids advance; but when they reach 95 cents, nothing more is said about passing the balance, or if repeated, it is with quite a reduced earnestness, indicating that though the price of 90 or even 92½ cents is not satisfactory, 95 cents may be sufficiently so to induce the selling of the other lots of the line. An inference may be drawn from silence in other cases, also, as when certain lots are commended for some special quality—as being "all wool," "pure silk," "madder colors," etc., while nothing is said about it in subsequent lots.

The author is glad to believe that the swindling custom of running up goods on the bidder by the auctioneer, so much in vogue years ago in the comparative infancy of the business, is no longer encouraged in respectable auction houses—in New York city, at least. There may be an occasional lot of goods, for which a certain price has been guaranteed to the owner, or perhaps occasionally one of the old-time cryers drops into his old tricks, or some neophyte just commencing, who has yet to learn that "honesty is the best policy," attempts it, but the buyers have learned to detect it. An auctioneer may, as before mentioned, easily forget sometimes who made the bid, on which he struck off the goods, and have to go back to the previous bid; but when this occurs every three or four lots, or the name of some absent or unknown buyer that no one sees bidding is frequently called off, there is something worse than mere forgetfulness. When our beginner sees these indications of dishonesty, it will be better for him to refrain from buying from this auctioneer, until he learns enough about the possible deceptions of the auction room to take care of himself in any company.

So that the buyer may not unduly tempt the auctioneer to run the bids up on him, he should manage to hide his desire to bid again. When a verdant buyer, after making a bid, stands with eager eye and gaping mouth waiting for the bargain, like a cherry, to fall into it, there may be a strong temptation to the auctioneer, particularly if the price is very low, just to try if he will not go one bid more.

It is more difficult than most people would suppose for a bidder to disguise his anxiety to get a lot of goods which is standing on his bid, from the eye of the auctioneer. He may unconcernedly look away, or toy with his catalogue, or speak to his neighbor, but there is very apt to be something in his manner not natural, which betrays his desire to the auctioneer.

Neither is it good policy to show any more concern about buying the lots you really want, than those you do not want. To guard against this tendency, some buyers put on an appearance of earnestness and anxiety to buy every lot, so that they may disguise their wish to buy certain lots. Others try to remain calm and collected at all times, but there is a tendency then to refrain from bidding on the goods they do not want, and the mere circumstance of bidding on other goods indicates their desire to buy them.

There are other advantages to be gained by frequently bidding on lots of goods which the buyer does not wish to buy, care being taken, of course, not to bid high enough to get them. By this frequent bidding the buyer's presence is more prominently brought to the notice of the auctioneer, and when he really wants to buy, his bidding is more likely to be noticed. The risk of getting a lot occasionally, that is not wanted, will always limit this adventitious bidding within due bounds; though there are

always many lots of goods offered in an auction room not inherently desirable at the prices they will probably sell at, which may be bid on and bought at a lower price without risk of loss. Such frequent bidding is not disadvantageous to the auctioneer, but is rather favored, as giving more life and animation to the sale.

In starting the bidding on a lot of goods, it is best to commence at a pretty fair price. A very low start often attracts persons who did not think to buy, to bid on the lot, and they continue afterward to be competitors to the final bid. Indeed, it is often good policy to start a lot of goods, when it can be done without the notice of the other buyers, at a price nearly or quite up to the mark to buy at. Some buyers will be led to think from such a start that the price will go beyond their mark, and will withdraw their attention for the moment, while others may be disposed to withhold an advanced bid under the supposition that the auctioneer has started the goods himself and has no bidder.

There is a good deal of this finessing practicable and useful in buying goods in the auction room. It only needs a little experience, with some acuteness and observation, to enable any one acquainted with the value of goods to embrace the opportunities which are offered.

Perhaps a few words of caution may be in place, in relation to "mock auctions." These swindling concerns have such protean forms that it is impossible always to recognize them by outward signs. For so soon as any feature becomes prominent enough to be noticeable, or pointed out as something to be aware of, naturally it is conformed to the style of the regular business. If the writer were to say that to-day a man would be safe in buying in those auction rooms where a *regular catalogue* of the goods is issued, and in danger whenever he found

himself in an auction room where there is no catalogue, he would be correct. But let this be once regarded as a distinctive feature, and every "mock" auctioneer would manage to have a catalogue, or the semblance of one at least. The old-fashioned way of selling goods "from the shelves" in quantities to suit the buyer, and without making them up in "lots" and cataloguing them, is pretty generally discarded by honest auctioneers; and one inexperienced in the auction room will do better to avoid all places where goods are sold in this way.

Perhaps the best precaution will be not to buy in any auction room until satisfied by enquiries, made not from chance wayfarers, or the companion for a day, who may be in league with the sharpers, but from reliable merchants in the locality, that the auctioneer is an honorable dealer. Unfortunately for themselves the people who are most likely to be victimized by the "mock" auctioneers, and who most need to be on their guard, are the class who never read the papers; if they did they would learn that the regular auctioneers always advertise their sales in one or more of the newspapers, mentioning, to some extent, the kind and character of the goods which will be sold, the hour when the sale will begin, the terms of the sale, whether for cash or on credit; and the sale-rooms will generally be found on side streets, at least in New York City: while the "mock" auctions are located on the principal thoroughfares, and the managers do not advertise, relying on catching their dupes as they pass along, by the sound of the cryer's "one dollar—one dollar—one dollar—wi dollar—wi dollar," or the ordinary red flag hung out at the door.

CHAPTER XXII.

INVESTMENT OF THE PROFITS OF BUSINESS.

IT would seem natural to think that men who succeed in making money in their business will know how to take care of it afterward. But having seen so many instances where they did not—where money was drawn as profits from the business, when there were really no surplus profits, and so invested as that not only that amount was lost, but even more had afterward to be drawn from the business to ward off disaster and loss on the first investment, to the injury of the business itself,—I believe that a work of this kind would be incomplete without some suggestions on this point.

Before entering on the main subject, a few remarks may not be amiss, after the manner of the oft-quoted Mrs. Glass, on first having the profits to invest. Attention to this is of more importance than in her directions for cooking a fish, for while there may be grave doubts whether anything in the semblance of a fish could be dressed and cooked until it was caught—we have most of us seen money drawn from a business under the semblance of profits, and invested, when there were really no profits to invest. The great importance of having surplus profits before any attempt is made to invest them, is therefore strongly impressed on the dealer.

Some people there are, of extreme prudence, who hold to the opinion that a trader should never withdraw any money from his business so long as he is in debt for goods purchased; or, if in consequence of such withdrawal he

is afterward under the necessity of going in debt for his business purchases. Such a course would be certainly a very prudent one, and if not always to be advised, it at least deserves consideration; for, as a general thing, a man can never so profitably invest his ready money as in the prepayment of his own indebtedness—certainly in nothing so safe.

Necessarily this would require a large amount of capital in proportion to the business where the sales are to any great extent on credit, and there will often be instances where so proportionally great a capital can not be kept in profitable use the whole year. In some kinds of business the full capital would only be in use three or four months of the year, and if a proportion of the purchases could be advantageously made on credit, during these months, it might be profitable to withdraw some of the capital and substitute the credit for it.

It is a part of the dealer's business to keep his capital actively at work earning interest. This he fails to do when it lies idle half the time. It can hardly be expected that any one can so accurately calculate the chances of trade as to always use the whole of a certain amount of capital, and yet never at any time be in need of money. While it is safest to be on the sure side, and err by retaining too much rather than too little, yet with some men it is more profitable to retain only just so much capital in their business, that they will be sometimes pinched a little to get along, and are even under the necessity of borrowing temporarily. This occasional necessity for money stimulates their energy, and induces them to look more closely to selling off their goods, and collecting in their outstanding accounts. The natural disposition of the dealer should be considered in this matter, and his action governed accordingly. If, with the accumulation of profits and con-

sequent plethora of capital, he finds himself growing lax in pressing sales and making collections, he would doubtless be benefitted by such a partial withdrawal of capital, that he would sometimes be in want of money.

The points necessary to be considered, in deciding that there is a surplus of profit which may be advantageously drawn are, therefore, the following, namely: 1st, Absolutely no need of it, as the purchases can all be made for cash without it. 2nd, Or if not, that for the short periods when credit is needed on some of the purchases, the difference in price, or discount which can be obtained by paying cash is inadequate to pay for the use also of the money during the rest of the year. 3rd, The certainty of receiving from sales and collections sufficient money to pay for the goods purchased on credit at the maturity of the credit, or if this is uncertain, the certainty of obtaining temporary loans, without sacrifice, to meet any emergency. And 4th, Whether the capital, if left in the business, could be temporarily used or loaned in such way as to be safe and earning interest, at the periods when it is not wanted in the business.

How shall these be considered? In a business which is nearly regular throughout the year—about the same amount of purchases and sales one month with another—it is not difficult to come to satisfactory conclusions. When the stock of goods is once all paid for, the ordinary monthly receipts will pay for the monthly purchases, and any considerable amount of money left over after paying for the purchases, may be regarded as surplus profits; that is, if the stock of goods is up to the ordinary quantity. But when the business comes in seasons, as many kinds of retail business do, and for two or three months in succession, at each of the two or more dull periods of the year, the stock of goods is greatly reduced, there will

be correspondingly large amounts of money on hand over and above the requirements for paying, which can not be withdrawn without danger that, when the time comes to increase the stock for the busy season, this money so withdrawn will be needed, and for want of it the business will be endangered. It is the dealers of this class who are most tempted to withdraw undue amounts from their business, under the name of "surplus profits,"—or excess of capital beyond their business wants—even at times when they may be owing large sums for goods bought on credit, but not yet due. Unable to get what they think an adequate reduction as discount for prepayment, they seek other ways of using their money, intending that this other use shall be only a temporary one; but too often, to their sorrow, they find it so permanent that afterward when they require the money in the business, they can not restore it without a sacrifice.

Assuming, however, that any contemplated withdrawal of money as surplus profit has been duly considered, and the capital really found in excess of what can be advantageously used in the business, we will pass on to consider, first, some of the disadvantageous ways in which it may be invested, trusting that the remarks may be, in some measure, useful in warding off a calamity which often overtakes the heedless. Scarcely a reader of this, with ten years experience, but will be able to call to mind some acquaintance who, while doing a prosperous business, in the belief that he had made a good deal of money, was induced to take some of it out of his business and invest it in other adventures which eventually caused his failure.

A trader has, for example, really made a couple of thousand dollars, which he does not need in his business. He sees what he regards as a good opportunity

to invest it in purchasing a piece of land in the outskirts of the village or town in which he lives. The lot costs twice the amount he has to spare from his business, and he leaves the balance unpaid on mortgage, trusting that even before the mortgage matures he will have made enough more in his business to pay the balance. There comes on a prolonged decline in trade, however, owing to ordinary causes, and when the mortgage is due he has to draw the money out of his business to pay it, knowing that it is not made, but relying on occasional borrowing at bank, or from his friends, to help him out in any tight pinch of the money market. Soon his payments are not made with the same promptness as heretofore, and his credit suffers. On this account his business is still less profitable, and he barely makes his expenses, if even that. His land meanwhile lies dead on his hands; he can not sell it except at a loss, and it brings in no income. With a view to make it earn him something, he concludes to take up money on a mortgage on the lot and build a house to rent out. But after the house is built it does not rent, and so he occupies it himself, thus saving the rent of the house which he before rented. True, the interest on the mortgage which he now has to pay, is much more than the rent he before paid, and as the house is new it needs many additions to make it comfortable—the lot must be fenced and graded, and sodded—and all this takes time and money. During all this period he can not so faithfully give his attention to his business. He has too much other work on his hands, and the business does not prosper. Soon the crisis is at hand; he is at the end of his borrowing and is compelled to fail. To fail simply because he invested, in a disadvantageous way, the two thousand dollars he had actually made in his business.

Such results are found not only in investments in town

lots, but often follow the more speculative enterprises which a trader may be led into as an investment for his surplus moneys, such as manufacturing enterprises, steamboat or stage lines, newspaper establishments, patents, wild lands in the west, gold, silver, copper, lead or iron mines, etc.

A few instances of many, that are within the recollection of the writer, will show how uncertain is the limit to, and the profit of, some investments.

One dealer, having a surplus of five thousand dollars in his business, concluded to invest it in building a store to save what he regarded as an exorbitant rent. This amount was deemed by the builder fully sufficient to complete the work; yet when the store was entirely finished, it had required an outlay of nine thousand dollars. The extra amount had to be taken from his business; and the loss to it thereby, together with the want of the proper attention to the business, while the building was in progress of erection, so injured his trade, that in a period of commercial adversity, about eighteen months after, he had to suspend payment, much to his mortification and loss. Though in itself the investment in the building was a good one, still it proved a bad one for him, as it ruined his business which was of far more value to him than the \$5,000 he had first intended to invest.

Another instance is of a retailer in a western town, who having some \$6,000 to spare, concluded to unite with a man who had a like amount, and who also had experience in the business, in erecting a hotel in the town which needed one. Each party was to furnish \$6,000, and it was fully sufficient to build and furnish the house. The walls were not far above ground, however, when the other party failed to respond with his share of the money, something having occurred by which he lost the means he had intended to put in. The necessity was placed on

the retailer of either abandoning the enterprise and sinking what he had put in, or of taking upon himself the whole burden. He chose the latter, and managed by borrowing money on mortgage on the building at high rates of interest, to complete the house, but before he could get an occupant, the interest on the mortgage became so heavy that he could not respond, and the house was sold under foreclosure, actually leaving him in debt on the bond. In the meantime his business had been losing ground. In the struggle to sustain himself in the hotel investment he had drawn too heavily on his business, which from temporary inattention had declined, and he was compelled to fail. His creditors could not understand how a man who stood so fair a short time before could be so badly off, and quite generally refused his compromise offers. He was compelled to make an assignment, his business was entirely broken up, and he became a poor, shiftless wanderer, dying a few years later, leaving not even sufficient to decently bury him.

Still another recurs to my mind, who dealt quite considerably, in an article which he sold to several manufacturers in the neighborhood, and having made some money for which he had no use in his business, concluded to invest it in manufacturing this article, with a view to getting it cheaper. It was to require but two thousand dollars, and this amount was invested. But he soon found that if he would manufacture the article cheaply, he must do it on a larger scale. He gradually added to it as he could spare funds, until he had over ten thousand dollars invested, and he then told me that notwithstanding the time he gave to it himself, purchasing the raw material and selling the manufactured goods, the net profit did not exceed simple interest on the capital. Fortunately his original business was not neglected, and continued

profitable, enabling him to draw these additional sums without injury to it.

A small dealer in a western town thought he had five hundred dollars surplus, which he drew out of his business to invest in an enterprise in getting out lumber from the pine forests of Michigan, in the belief that he could surely double it each winter. In two years after he failed, and it then turned out from careful investigation, that he had not made anything in his business when he took the \$500 out, and that subsequently he had put into the same adventure \$1,000 more; and these two amounts were more than his original capital. He had never drawn or realized a dollar of profits from the lumbering, and the only thing he had to show his anxious creditors for this withdrawal of so-called profits, was a quarter interest in a steam saw-mill in the Michigan wilderness; which though reasonably well mortgaged, he still insisted was a good investment, if the concern could only raise money enough to get a new boiler, the old one being about worn out. The \$1,500 was not much to invest, it is true, but in this case it was more than his original capital, and more than he could have realized from the business by closing it up under the most favorable circumstances. In addition to the loss of the capital, there had been nearly as great a loss while the lumber speculation was going on, from reduced sales, depreciation on stock, lessened profits and the careless trusting out of goods—the natural results of inattention to business. All these *misfortunes* made it impossible for him to pay over twenty-five per cent of his indebtedness, which his creditors eventually accepted, leaving him to try his skill once more.

These instances are fair examples, and sufficient to show the folly of not letting well alone. The business world generally regarded those that failed as *unfortunate*. Had

they been considered *incompetent*, it would have been more correct.

Two lessons are to be learned from such experiences. One, that no investment of surplus money in a business should be made in any scheme or undertaking that will subsequently require more money to be added to it which has yet to be made; the other, not to invest in anything which is likely to largely take up the dealer's time and attention in looking after the investment. Even though all of the dealer's experience tends to prove that he will easily make the additional sum of money in his business by the time it will be required, still it is unwise to venture it. There are too many contingencies in business for any one to say what the future will be, and it is by far the safer plan to invest only just so much as is made, keeping clear of any obligation to add to the investment at any future time.

It may be said that it is not hard to see the difficulties and dangers that stand in the way of any enterprise after we have stumbled over them, but it is no assumption to say that if the surplus profit, or even supposed surplus profit, of either of the unfortunates in the cases cited, or in similar circumstances, had been carefully invested in good bonds and mortgages, or in sound dividend-paying stocks, the difficulties which subsequently occurred to them would have been avoided.

A retailer who has a good paying business, which requires his time to keep it in due order and profitable condition (and every business, as the means increase, should be extended to that point, when, as in most cases, it can be done advantageously), ought to discard in his investments all idea of speculating or profiting in any way on the money invested, except simply by the interest. Whatever of gain there is, more than this, will either be at the

risk of the principal invested, or will require more or less of the dealer's attention and time which should be devoted to his legitimate business. Whatever superior powers he may possess, or think he has, for business enterprise, will be more advantageously kept at work within the range of his regular operations, and he is far more likely to accumulate wealth in an increased degree, inside of his business, than by outside adventures.

There is quite a diversity of opinion among business men, as to what are good investments. Whatever will surely yield the legal interest, and securely hold the principal sum loaned, without care and attention on the part of the lender, may be regarded as such; and whatever carries with it the risk of loss of the principal or a part of it, even though the promise of large annual gains, are connected with it, should be regarded—simply as an investment—a poor one. It may be a good operation or speculation, but not a good investment.

The highest class of investments are no doubt good bonds, secured by mortgages on improved real estate, to one-half or two-thirds the value. This is a favorite investment with those who have made their money by slow and sure methods, and desire in all their investments not to incur loss. It is pretty nearly the only investment which may not at times induce a spirit of speculation. An investment of \$1,000 in railroad or state bonds, or bank stock, which at the end of a year returns not only the regular interest, but has advanced in value ten or fifteen per cent, presents a strong inducement to speculate by the buying of another \$1,000 worth of some other stock which is now depressed, but which must soon be higher—in the opinion of the newspapers at least. So also in the purchase of real estate. If the investment is found,

after a year or two, largely increasing in value, besides having yielded its regular income, there is a temptation to invest more money in the like manner, even when it can not be spared, and the investor's thoughts are continually running upon the prospects of the increase of value in different localities around him. The perfect security of the principal, and the regular payment of interest is less sought after, and every investment is really a speculation which is to largely increase the principal invested. Like drawing a small prize in a lottery, there is always a strong desire to try it over again. And when a man once gets into that adventurous habit, in what should be cautious business transactions, there are more chances against his eventual success than there are in his favor.

Money loaned on bond and mortgage brings its regular income, with the least possible care on the lender's part. The principal is never worth more, and rarely worth less. It presents no inducement to speculate, nor does it need the time that should be devoted to the regular business. Taken all in all, these investments will be found fully as profitable as any other class, which may promise more from an increase of value of the principal invested.

Those that have not given the subject especial attention, will be surprised to notice how fast a fund will accumulate at even seven per cent interest, when there are no drawbacks, and the interest is regularly compounded or re-invested, which could always be done by one who invested only his surplus profits each year. It is at least essential to consider this as done when we compare results with a real estate investment or speculation, where often for years no income is realized, and it may be said to be re-invested year after year, showing its results in the end in the increased value of the real estate.

Suppose, for example, a dealer at thirty years of age in such a business that he can safely draw \$1,000 of surplus profits out of it, with a continuing ability to draw the same amount out yearly, till he shall be forty years of age. If the \$1,000 is invested each year, and the yearly interest of seven per cent added to the investment, it will amount in the ten years to \$15,783. Continued for ten years longer, or until he shall be fifty years old, he will have \$44,865. And in another ten years, or when he is sixty years old, \$102,073. Now, \$1,000 a year is not a large net profit for a retailer to make, taking one year with another. The most of those selling even \$10,000 of goods a year expect to make that much clear of all expenses. And yet how few are there among all who have been in business, that have accumulated at fifty years of age \$45,000, or will be worth at sixty years of age, should they continue in business so long, \$100,000?

There are instances of men who have made money through fortunate investments in real estate, much more than they could have made by investing their means in securities bringing only a regular interest; but they are fewer than is generally supposed. They are like the prizes in a lottery—many blanks to the one prize.

It is very doubtful whether the annual net income from real estate, throughout the whole country, including the advance in value, and deducting the depreciation, the wear of buildings and improvements, and also, making a fair allowance for the services of those who do the work required to earn the income in gross, will exceed four per cent. There are thriving cities where the increase of value alone in some localities, gives greater average yearly results than that rate; but it must be remembered that this increase is first obtained by a large expenditure, that is lost sight of, in assessments for street openings, paving,

sewers, etc. And sometimes, too, this increase is at the expense of some other locality, which in the changes of business, is left to languish and decline in value. That many of our "smart" Western cities have thus grown up, by a transfer of Eastern capital and population, and the Eastern towns and villages suffered a decline in value from this transfer, is undoubted.

If a dealer proposing to invest his surplus profits in real estate could always be sure that the locality will continue to increase and grow rapidly, this class of investments would rank among the highest. But the causes for the growth and decline of towns and cities are too remote and hidden to be readily seen or understood, and the chances are quite as great that the property selected to invest in, under ordinary circumstances, will only just hold its own in a long series of years, as that it will largely increase in value. So largely, at least, in view of the outlays and attention such property requires, as to make an investment advantageous.

There are, no doubt, instances where money can be advantageously invested in real estate. It is meant, only, that as a rule the other securities are to be preferred, while a man is in business and has the cares and anxieties of business over him. It would be a good rule for any dealer to adopt, who intended to invest his surplus money in real estate, to never sell the property he bought, except under peculiar circumstances. The expectation of holding, during his life-time, any piece of property he might buy, looking to get simply the income from it, and to increasing that income by judicious outlays on the property, would induce greater caution in making selections that would always produce income. The difficulty is for a business man to avoid regarding such investments as purchases made in his business, merely to sell again when

he gets a good profit, and thus be induced oftentimes to purchase speculatively when he cannot hold the property.

One of the most frequent objections made to investments in bonds and mortgages, and one often made by those who do not wish to speculate with their money either, is that the security is not readily convertible into money, if in any emergency in business, or for other cause they should need it, as it is when invested in bonds or stocks of incorporations, which generally have a marketable value in cities, and can be more readily turned into money, or used as collateral for temporary loans. This quality, though, ought to be esteemed as one of the very best grounds why the investment should be preferred. A dealer ought not to take the money out of his business at all, unless well assured that he will not require it there, and then the more thoroughly he puts it out of the way, and himself out of the way of its influence as inducing speculative enterprises, by investing it so that he can not readily get at the principal, making sure that it is safe, and that the interest will be regularly paid, the better will he be off in the end. One who is known always to have means in hand ready to embark in any undertaking, will be very sure to find acquaintances who have this or that enterprise all arranged to "make a fortune for any man who will furnish the money to carry it out," and some of the schemes will seem so plausible that it will sometimes be quite fortunate for him if his surplus capital is so invested, that he is unable to yield to the temptations.

The aim of a business man should be not only to make a living, but to accumulate something as a provision for a period when old age or helplessness overtakes him, and to aid or assist moderately those whom he has helped to bring into existence, in their start in life. And until he has a reasonable accumulation for these purposes it is poor

policy to so invest as to keep everything at risk. All investments promising more than ordinary interest, do so at the risk of loss of principal, in whole or in part, and are therefore all of the nature of a retailer's ordinary business. There is a chance for large gains, and a possibility also of considerable loss. Under such circumstances to continue adding the gains of one year to the business of the next, and thus hazarding the whole from year to year, is inconsistent with the idea of laying up a fund for old age.

The well-known rule of the gamester that he who continually adds his winning to his next stake must lose in the end, is true also, in a great measure, of business. The business man plays with fortune in the same way, and though fortunate for nine years in succession, if each successive year he risks all of the profits he may find in the tenth turn of the wheel that all is gone. And it does not much matter as to what his dealings have been in, whether merchandise, real estate, or other things of uncertain value, when the crisis comes and they have to be sacrificed to pay his debts, all are alike reduced in value; and if his indebtedness is great, are frequently found insufficient at their shrunken value to pay what he owes, thus leaving him bankrupt in fortune—happy if not in spirit—to begin his business career over again.

CHAPTER XXIII.

INSOLVENCY.

THE story is told of an author of a system of military tactics, who declined inserting in his work a chapter on the method of conducting a retreat, on the ground that the soldiers of his country ought never to retreat. This chapter might with propriety be left out for somewhat similar reasons, for if a business has been conducted on the principles and plans set forth in the previous chapters, insolvency would be so rare that no instructions would be needed. In view, however, of the vicissitudes which attend merchandising, it will doubtless be true that some persons will read this book for the first time when they are already in failing circumstances. For their advantage, at least, this chapter is submitted.

It must be regarded as a great disadvantage to the business interests of the country that we are unable to devise and retain on our statute-books a well-digested national bankrupt law; one that would be so fair, just, and liberal that there would be no seeming necessity for concealment by the insolvent, nor for severity by the creditor. That recently repealed, though too costly in its administration, had many good points, but later amendments so changed its character that it was not difficult for an insolvent to obtain a release from his debts and retain the most of his assets.

The insolvent laws of the different States, so far as observed by the author, under which insolvents can now obtain or secure even a local release

from their liabilities, have all failed to provide that mutual benefit to both debtor and creditor that such laws could furnish. They seem to have been gotten up in the interest of one class alone, and are either so illiberal in their provisions as to bear more harshly on the insolvent than his creditors ordinarily would, or are so laxly drawn that dishonest men have too great facilities for defrauding their creditors.

It has for many years past been a moot question as to how far the law, representing society, should interfere between individuals in relation to their dealings with each other on credit, and compulsorily enforce any promise made by one to another for the payment of money.

At one extreme are found those who insist that society should require every debtor to make absolute payment according to his promise, and should punish him for every failure. Diametrically at the other extreme stand those who hold that if one member of society chooses to entrust any of his goods to another, on the mere promise to pay for them at some future time, it is a matter solely between the two, of which society should take no formal notice whatever; but should leave the non-fulfillment of the promise to have its simple and ordinary effect on the reputation of the promisor, who, in their opinion, will be fully punished by the withdrawal of confidence from him, in a greater or less degree, according to the special demerit of the case.

That even justice is found somewhere between these two extremes can not be doubted. But precisely where it is found will depend very much whether we are at the creditor's or the insolvent debtor's stand-point of observation.

While it is noticeable that the degree of impoverishment regarded as sufficient to exonerate a debtor from

the immediate necessity of paying a debt is variable—some thinking that the insolvent is entitled to exempt sufficient means to enable him to live comfortably in a “four story brown-stone front, with all the modern improvements”—it is apparent that the opinion of the world has relaxed greatly from the old stringent requirement of the complete denudation of the debtor. We now look back, as to an age of barbarism, to the period when the unfortunate debtor was forcibly stripped of his last dollar to make good his promises to pay; and if this was insufficient, suffered imprisonment in addition. A strong evidence that the opinions of the world have changed in this respect, is found in the presence of men in high positions of honor in society and in the christian church, who live and move without reproach, in a style requiring considerable income to support, beyond what would be requisite for the simple necessities of life, and who are yet known to be owing debts which they do not even hold out a promise of ever paying. The only fair inference is that society concedes that when a business misfortune or misadventure occurs to a debtor, and he becomes unable to pay his creditors, justice does not require that he shall give up the last dollar of what he before possessed, but that in some respect the creditors shall bear a share of the burden themselves.

Many will no doubt say that it is a vicious state of society which encourages or sanctions such a course, and that an insolvent debtor is entitled to nothing except from the mercy or forbearance of his creditors. The same persons, however, willingly concede the duty of creditors to be liberal and charitable towards their unfortunate debtors when honestly unable to pay. In yielding this much they admit the justice of some provision for the debtor, which would shield him from the uncharitable and illiberal

among his creditors. The one duty is justly deduced from the other.

Charity and mercy towards those in distressed circumstances is often held up to individuals and classes as a christian duty, and it is well worthy of consideration whether the duty is not actually obligatory in strict justice on the creditors of an honest insolvent debtor. The accidents and incidents of trade are governed so much by the laws and customs of society, and the society which has so arranged affairs, or failed to arrange them, as that losses fall on individuals therein, which they could not foresee or provide against, may with great propriety be called on to bear some share of the loss. The suffering one may not be able always to point to individual members of society and say you, or you, should bear a share of my burden; but he can sometimes do so, as in the case of an insolvent debtor to his creditors who have profited by the dealings between them, and he may ask them with great propriety, if not with justice, to bear a share of the loss he has sustained, by accepting as in full all that he possesses, even though it is but a part of the amount promised them, and releasing him from the obligation.

Another evidence of the more liberal spirit of the age, in this respect, is found in the tendency of recent laws to increase and extend the list of exempted goods of an impoverished debtor, which can not be taken under an execution for debt. These laws, originating in a desire to protect society from the pauperism of the insolvent, and to keep his family out of the alms-house, originally exempted a very limited amount of household goods and provisions; just sufficient for the present necessities of the family. But in recent years the list has been extended so that in many states the homestead, with sufficient land,

and farming stock and implements to cultivate it, to fully support a family, is now exempt from execution.

Possibly in this movement toward greater liberality, we are coming back to acknowledge the justice of the Mosaic law, with its year of jubilee, when every debtor went free, and every lavished estate in lands reverted again to its former owner. Whether we do recognize the justice of it, we must admit that this liberality toward the debtor has been advantageous to the creditor, whose great security after all must be in the disposition of the debtor to pay him. Reliance on legal compulsion to enforce payment, where this is wanting, is almost useless, rarely producing any beneficial result for the creditor.

Passing over all that which might or ought to be, some suggestions will be presented, deemed appropriate to guide the insolvent debtor in his course under the present established laws or rules of mercantile society; which on general principles is disposed to hold every trader strictly accountable to pay what he promises, regardless of any circumstances which may have intervened between the time of the promise and the time for payment, even though it strips him of his last dollar.

A retailer who fears that he is in such a position that at the end of the current year, on taking stock and balancing up his books he will be insolvent, should so carefully conduct his business as to give no occasion to his creditors to impugn his actions, or dispute the honesty of his intention to pay if he could. He ought so to manage that they have not reason either, to believe that in ignorance of his position, he has made their loss heavier than it otherwise would have been; and should always bear in mind, at such a time, the great advantage it will be to him to stand so well in the opinion of his creditors, that they will be willing to entrust him to manage his assets

for their benefit, and not be under the necessity of making an assignment. His chance of obtaining a favorable compromise of his debts will depend very much upon his conduct preliminary to his actual failure.

Perhaps a recital of the ordinary objections, made by creditors to accepting an offered compromise, and which, as will be noticed, relate mainly to acts antecedent to failure, will bring more directly before the reader the specific matters to be regarded or avoided.

To give these objections due prominence, they are presented in order together, and will be reverted to afterward in like order, and an effort made to show how each objection may be obviated.

1. "He should have stopped payment before he lost so much, and could then have made a larger dividend."
2. "He should not have made so much confidential indebtedness."
3. "He was clearly insolvent a year ago, as his own accounts show, and should have stopped payment then, when he did not owe me so much."
4. "Never sold him goods to any amount before, and have made no money by him as his other creditors have, so can not afford the loss on that account."
5. "My debt ought to have been made confidential."
6. "He ought to have known when he created the debt that it would not be paid at maturity, and is therefore guilty of fraudulently contracting it."
7. "He deceived me by false statements of his means and ability to pay."
8. "Owes me more than usual," or "more in proportion to others."
9. "He has not satisfactorily accounted for the losses by which he alleges he became insolvent."
10. "Don't believe he can pay the amount he proposes,

and at the subsequent failure matters will be still worse."

11. "The time of paying the compromise is too remote. Would prefer something less in shorter time, to waiting so long."

12. "Has shown himself so unprincipled since his failure, that I would not trust him to settle up his estate."

These objections, as will be noticed, refer more especially to the peculiar circumstances attending the indebtedness to the individual creditor. They are specific rather than general. Some of them do not impute dishonesty, and some of them it may have been impossible to avoid, at the late period when the dealer first realized his insolvent condition.

Such objections have not been taken into consideration, as the concealing or unjust depreciation of assets, or the making of fictitious or nominal indebtedness, and the like; as these, if charged, are equivalent to a charge of actual dishonesty, and if true, must in a great measure prove the dealer's unworthiness to have a release; though it is a fact, that owing to the whims and obstinacy of creditors, too many men are found, who think that the only way to secure a compromise settlement by an insolvent, is to cover up and hide everything from the creditors; so that they, fearing they will get nothing, may be induced to accept any offer which is made. If the insolvent disregards all idea of retaining the respect and esteem of his creditors, and looks only to getting rid of the legal liability to pay what he owes, such a plan does sometimes succeed better than where everything is shown up plainly, and the full reasons given for the position in which the debtor is placed. But such a course is not commendable, for even when the debtor pays all that he can, and all the prior circumstances of the failure are untintured with fraud, it has the appearance of wrong, and

should be avoided. The insolvent who compromises his debts honorably and satisfactorily—that is as satisfactorily as creditors can ever be expected to receive less than 100 cents to the dollar in full payment—has not lost everything. It sometimes happens that an event of this kind brings out, for the first time, the better qualities of a man, and shows to himself that he has greater ability than he supposed, and to his creditors that he has firmer principles of honesty than they before gave him credit for. Reputation for honesty and business experience is about the only thing of value that a man who has just compromised his debts can claim to possess; and he should not so lightly regard these, as to imperil them by any disingenuous and uncandid settlement with his creditors.

Though it may be deemed somewhat superfluous to make any extended remarks on the creditors' objections, presented on a preceding page, as the most of them explain themselves, yet as this book is more especially intended for the novice, it will be proper to be explicit, at the risk of being prolix.

The first objection has force when the debtor not having soon enough comprehended the reduced value of his assets, particularly of his "old stock" and "doubtful debts," continues on doing business at a loss for six months or a year, or perhaps longer still, losing so much in that period that he can only pay twenty or thirty per cent of his indebtedness; when, if he had stopped payment a year earlier, when first actually insolvent, he could have paid a dividend of fifty or sixty per cent. The continuance may have been from ignorance of his true condition, or from a disposition to postpone an evil to the longest time possible, or from a belief that the losses before sustained could be overcome by keeping on in business, and payment be made in full to everybody. The first two rea-

sons for continuing in business are untenable and unsatisfactory to creditors. A dealer should not willfully remain in ignorance of his degree of responsibility, when in danger of insolvency. A wrong action done in willful ignorance is just as criminal as when done with evil intention. He should have the moral courage to take as depreciating a view of his assets, as the circumstances or period demands, and if really insolvent, and there is no prospect of overcoming the difficulty, he should stop at once, and not go on making things worse.

In a retail business where the goods are largely purchased on credit, and the sales are for cash, it is very easy for the dealer to become badly insolvent, without being "short" of money to meet his payments, and this circumstance oftentimes may deceive him, especially when he takes only an outside or superficial view of his business. Take, as example, a dealer who keeps a stock of \$10,000 on the average, and sells yearly \$30,000. With \$10,000 capital he can of course buy everything for cash. If he should buy his goods on four months credit, still selling for cash, he might, by a losing business, sink all his capital, and yet simply from his sales of \$2,500 a month pay promptly all his liabilities; as his indebtedness would at any given time be no more than the sales for four months. He might go on till he lost an additional sum of \$5,000, and be worth that much less than nothing, and by getting six months credit on his purchases he could still pay promptly at maturity. And by purchasing on eight months credit—a not unusual credit a few years ago—he could be \$10,000 behind, and yet meet his payments without borrowing. Should he stop payment at this juncture, he would owe for eight months purchases, \$20,000, and have but \$10,000 of stock to pay with. When, had he stopped before losing the last \$5,000, he would have

owed only \$15,000, and would have the same amount of stock to make a dividend from. He could as easily have paid fifty per cent dividend at the earlier period of insolvency, as he could thirty-seven and one-half per cent at the later period. This cause for the creditor's objection can be avoided by taking a semi-annual or annual account of stock, and by keeping a running account of purchases and sales, with an estimate of the profits, as recommended in Chapter XVI. by which the dealer may always know very nearly his true condition at the end of each month, and certainly at each stock-taking.

The third reason for continuing on in the business after the dealer is insolvent—that of a belief that the losses are reparable—may be a satisfactory one even to a losing creditor. The loss may have been a peculiar one, not likely to occur again—as a theft, a fire, failure of debtors under peculiar circumstances, or other like causes. A dealer who had been prosecuting a successful business for a series of years, would be justified, when meeting with such a disaster, in continuing on in business when the prospect was fair that he could in a year or two retrieve the loss. But the chances ought to be carefully considered. The dealer should endeavor to take the position of a creditor, looking back on them after a failure has subsequently occurred. It is useless to continue on under such circumstances, if the way is not fully clear. If there is doubt or hesitation, the chances are that further struggles will be unsuccessful. The dealer is somewhat in the position of one caught in a quagmire. If he can reach firm land by a struggle or two, all is well; but if he is too far from the solid ground, he will do better to make his situation known by crying out as speedily as possible, as struggling will only sink him deeper, without relieving him.

When a man in doubtful circumstances of solvency finds himself short of funds to meet his payments, and cannot succeed in getting a greater length of credit on his purchases, he sometimes has recourse to borrowing from his friends. Creating a debt of such character that in case of failure, it must first be paid out of his assets, and this gives cause for—

The second objection of the creditor.

The insolvent, in creating this character of debt, has gone from bad to worse. The most difficult obstacle to overcome in obtaining a compromise, when it exists, is a large confidential indebtedness. It is so often used in the emergency of failure for a cover to some means reserved for the insolvent's benefit, or to make good the loss of some one or more favored creditors, that it is always looked on with suspicion. To show how onerously a comparatively small confidential debt bears upon the general creditors, take the case of an insolvent, as mentioned a couple of pages back; and suppose him at the second stage of downward progress, \$5,000 behind, and buying goods at six months. Instead of obtaining credit on longer time, let him make good his deficiencies in part by borrowing to the extent of \$2,500, which it would generally not be difficult for him to do. When he suspends after losing the \$5,000 more, he would owe \$2,500 confidential and \$17,500 general indebtedness. Paying the first in full out of the assets would leave, (counting the assets at the same value as before,) only 28½ per cent dividend for the general creditors, instead of 37½, as before. Doubling the amount of confidential, would reduce the dividend to the general creditors to only 16½ per cent.

Confidential debt should always be avoided by a dealer in doubtful circumstances of solvency; and if it has been considered necessary to create such a debt in

the endeavor to retrieve his position, it is better to continue on in the business long enough to pay up the confidential, under any circumstances not otherwise discreditable. Although the result is the same to the general creditors, the confidential debt is not present in the schedule to prejudice their minds.

The third objection—that of a change increasing the amount of indebtedness unfavorably to the creditor, since actual insolvency, is one difficult to overcome. A creditor, who, on looking over the accounts of an insolvent debtor, finds that his own claim is much larger in comparison with other creditors, than it was at some prior period when the debtor was also insolvent, is ordinarily very unwilling to accept any offered compromise, till he is put on an equality with the other creditors, by the payment in full of so much of his claim as is in excess of the former proportion. Nor will it obviate the objection that the increased amount was made at the urgent solicitation of the creditor, although that is always a mitigating circumstance. The creditor may not be able to impugn the motive of the insolvent in the increase of the debt, but he will feel the increased loss just as keenly.

A dealer, knowing himself in such doubtful position, should, therefore, be careful not to unduly increase the amount of his indebtedness with any one creditor. It is not enough for him to show that he has not increased the aggregate of indebtedness in contemplation of failure. This is not the point of objection. From the time when the debtor is in doubt of his solvency, he ought to regard himself as acting not only for himself, but as a trustee for his creditors—that is, for each individual one, as well as for the whole body of them. He should so manage that the interest of any one or more of them is not sacrificed for the benefit of the others, which is done when

one's account is reduced materially and another's increased. When he has actually failed, he can not satisfy those whose claims are increased by balancing off against them others whose claims are decreased. These may, it is true, more cheerfully give the aid of their influence in his efforts to obtain a compromise; but they are very prone to ascribe their advantageous position among the creditors to their own discernment, which "saw signs of his failure, and managed to reduce the amount of his indebtedness to them," rather than to any favor or simple-mindedness of the insolvent.

There are often premonitory signs of coming failure, that shrewd creditors can see, which induces them to refuse a continuance of credit. Such refusals are frequently the alleged reason for increasing accounts in other houses, or for opening new credits. It would be better policy, in view of the probability of failure, and certainly more honest if there is any doubt of ability to pay in full, to refrain from purchasing except from those who are already creditors. Refusals of this character are contagious, quickly running from one creditor to another. And it is particularly incumbent on a dealer, when so refused by any former creditor, to carefully review his position and be quite certain that he can get out of his difficulty, paying not only his indebtedness in the old houses, but in such new ones also, as he may open accounts in; and this, too, even though he should be refused by a large number of his old creditors. If he can not be sure of this, it is better for him to stop payment at once, even though he may think he will only need an extension of time in which to make his payments. By going on at this time, and opening accounts in new houses, should his expectations not be realized, and he be compelled to fail, these new creditors will raise—

The fourth objection—That never having made any thing of moment in their dealings with him, they cannot afford to lose by accepting his compromise offer, and releasing him. It is very difficult, too, to avoid the imputation of intentionally contracting a debt without the intention to pay, when a dealer asks a compromise on the first or second purchase he makes from a party. This imputation should be rendered less possible, by not opening accounts in new houses when in danger of failing.

— The business world divides promises to pay into two classes: One the ordinary business promise of a note, or debt for the purchase of goods, which is to be performed if the promisor possibly can, and a more obligatory promise, known as a confidential one, wherein the promisor has specially pledged himself; and which there is such a higher obligation to pay, that it takes precedence of the other, and is not to be compromised.

The first obligation seems to rest for payment on the promisor's ability, the second on his honesty.

Some obligations or debts are of such a character that by common usage they are regarded as confidential, or at least as having preference in payment over ordinary debts for goods: such as those for borrowed money, for money held in trust as guardian, executor, etc., or which a third party would have to pay as endorser or bondsman who had received no compensation for the liability, and in general obligations to any one who has become a creditor at the solicitation of the debtor and without profit to himself. When, in case of failure, such debts are sought to be compromised the debtor meets with—

The fifth objection—that the debt ought to have been made confidential. When there is a promise, or when the debt is of the character above described, there is no excuse available for bringing it in the same category with

ordinary debts, and seeking to compromise it. All such obligations should be provided for first, and if possible before failure.

Creditors are always desirous of bringing their debts into this class, to secure their payment, hence it is well for the dealer to be on his guard about inadvertently making such promises. It does not need express words of promise to create an expectation—or rather a claim by a creditor that an ordinary debt is to be regarded as confidential by the debtor. Vague remarks made at the time of the creation of the debt, or subsequently, are often sufficient: such as telling a creditor with whom there is a running account which he regards as too large, or is disinclined to increase, that "it will be all right; I will pay you, no matter what happens," or "you need have no fear of losing anything by an old friend like me." In this way the expectation is raised that the debt will be considered confidential; while the debtor has no hesitation in making similar remarks to every creditor he has. It is quite common to hear the creditor of some retailer who is known to the trade to be in doubtful circumstances, say, "I do not fear losing anything by him, he is a particular friend of mine," or "we have an understanding about that debt, that it is to be confidential." And this though no promise, has been made to that effect. Sometimes the implication is by silently assenting to some remark or proposition of the creditor. A common one is when the creditor gives a certain limit to the amount he will trust the dealer with, as an ordinary debt, saying, "if you buy more than that you must consider it confidential." Though the debtor makes no actual promise that he will, yet when he goes on season after season, buying largely beyond the limit, and paying regularly until a failure occurs, the creditor claims that all the debt

over the amount named as a limit, perhaps two or three years before, shall be regarded as confidential.

It will be readily seen that the impression by a creditor, that any considerable portion of his claim ought to have been made confidential, will be a serious objection to his acceptance of a compromise, and a dealer should always be careful about saying anything which can be construed into a promise of this character, when not intended; and also, that there is nothing in the nature of the transaction itself from which the creditor can with any propriety claim that the debt is of a confidential character.

There are some accounts, the position of which, in this respect, is not precisely determined. The creditor holding them claiming that they should be confidential; while if they are so made the other creditors object, and the insolvent is in doubt what course to pursue. Some such are debts created for the support and maintenance of the dealer and his family, that are ordinarily paid at short intervals, and before they amount to much, but which are sometimes, with a desire to turn all the receipts into the business, allowed to run on till they make quite an item. Ordinarily, however, this class do not amount to enough to make any perceptible difference in the dividend to the general creditor. If they do, it is better to pay them off before actual failure, even if the money has to be borrowed and that made confidential. A censurable act done will commonly meet with less objection than the same act contemplated.

Another class of such accounts is *overdue claims*. Among large dealers a request to hold over a note is generally regarded as equivalent to borrowing the money, and except when done with an admission of insolvency, the amount is mutually held as confidential. But it is

doubtful whether, in case of subsequent failure, the other creditors of the debtor would assent to his placing such a debt in the list of confidential, simply on this account. Other forms of overdue debt have still less of this confidential character. But all of it, of whatever character, when sought to be compromised, is open to the objection that it ought to have been confidential. More especially is this objection made when the grace given by the creditor has been granted at the request of the debtor, who has gone on to pay other creditors, to the loss ultimately of the lenient creditor. The insolvent may overcome this objection by showing satisfactorily—when the circumstances admit of it—that nothing has been lost by the leniency; that those creditors who were paid subsequently were either confidential ones, or those from whom the debtor was purchasing goods, so that the average of indebtedness was not reduced thereby.

The sixth objection—leads us to consider the different opinions which men may entertain of the same subject as they view it from different positions. To the debtor his assets looked favorable—his prospects brightening, and he went into the market, therefore, to purchase goods and contract debts, with a conscientious belief in his solvency; while his creditor, looking over the same assets, and the transactions as they occurred, is free to say that no man, when in such a position, could have honestly thought that he would be able to meet his engagements.

This objection can only be obviated, therefore, by that general prudence heretofore dwelt upon, as necessary in deciding when it is no longer probable that further efforts in business will be crowned with success. And in all cases of doubt, it would be well to consider how far the reasons, which to the dealer appear satisfactory for continuing the business, may serve to satisfy a creditor that

he has acted honestly, if in the end he is unsuccessful.

The seventh objection is related to the sixth, but goes a step further. The debtor has not only been influenced by his erroneous views, but has so impressed such views on the creditor, misleading him as to his true condition, that he has been induced to sell him goods on credit, when if the facts had been told the credit would have been withheld.

There are many degrees of guilt in making false pretences. The law in respect to them is not very sensitive, the maxim *caveat venditor*—let the seller beware—generally prevailing, and the party accepting the representations of another as to any assets or property which he may have, which is to serve as the foundation for a credit, and which there is a fair opportunity for a personal examination, can rarely hold him legally responsible for exaggerating their value. The question is not, however, how far a person could go in exaggerating his means, when soliciting credit, and escape legal punishment, but how far he can go without injuring his reputation among his creditors as an upright man, when, in case of subsequent failure, he has to come before them to obtain a compromise. A dealer who is required to make a statement of his business affairs to obtain credit, should in prudence, refer to the darker side of his condition, as well as to the bright side, particularly when in weakened circumstances. It is never a safe statement for a dealer to make, to say that he is worth any given sum of dollars. His balance sheet may show that he is worth that much, at his valuation of his assets. But there is often a great difference between his estimate of their value and what they would sell for in time to make payment of his ordinary mercantile liabilities.

An old stock of goods, long-standing or doubtful ac-

counts, and real estate at fancy prices, can make a very fair show of assets on a "balance sheet," but when these are put into the crucible of insolvency and melted down, they are often in great part mere dross; the actual precious metal often being not more than one-half to two-thirds of what they were counted at. While the indebtedness which is to be paid, is a specific sum, which does not decrease, but on the contrary, if any way deferred by borrowing or extending, increases with the interest that accrues. Hence it is more prudent to say, my "balance sheet" shows a capital of so many dollars or what is better still, to give the specific amounts of each item of assets, and the amount of indebtedness, leaving the creditor to make such allowances from the nominal value as his own experience may suggest. An honest statement of this kind, if after a failure its truth should be doubted, may always be verified by the production of the dealer's inventory and account books.

This course may require some moral courage on the dealer's part, when he seeks for credit, knowing that his position is weak, and yet believing himself strong enough to pay any debt he may incur, and that therefore no real harm will come to his creditors by a little exaggeration of his ability. None of us like to be refused credit, and yet many worse things might happen to a retailer than a simple refusal of credit. The criticisms of another, and probably more experienced merchant, on the dangerous points of a retailer's business, as it is thus brought confidentially before him for the purpose of obtaining credit, may often place his business in such a new light that he is led to see errors and mistakes in his system, which he can subsequently correct, much to his advantage. Especially is this advice beneficial when the credit is refused, for the refusal is evidence of sincerity, and it

should be doubly effective in influencing the applicant to a more careful investigation of whatever may have been found objectionable, and more earnest efforts to overcome the deficiency.

The eighth objection is a very common one. It has nearly the same point in it as the third objection; and there is no occasion to further amplify the subject. The only difference in the two is, that aside from what the position may have been a year ago or more, when the retailer first became of doubtful solvency, that now, at least, there is not a fair and equitable distribution of the loss among those the insolvent has been dealing with. The creditor may be quite willing to take *his* share of the loss, but he does not want to bear any more than *his* share. This is a point that the dealer should endeavor to guard against, if possible, even when on the verge of failing, so that none of his creditors suffer an undue proportion of loss by his failure. Not by increasing the accounts of those that are below the average, but by reducing in part those that are above the average.

The ninth objection is made most frequently when correct and detailed books of account have not been kept by the insolvent. He has taken account of stock, as usual, and finds instead of his expected surplus, that there is a deficiency of assets to meet his liabilities. When asked to account for the deficiency, he is unable to do so. "He thinks his clerks robbed him," or "his goods must have been taken by shop-lifters," or "he must have sold goods at too little profit," or some similar excuse, which he can give no reason for believing himself, and which his creditors will generally think is but a lame attempt to account for the absence of assets which have been reserved by the debtor.

The advantage of keeping a running account of sales,

profits and expenses, so that the dealer may be able to account in a proper manner for the loss of any large amount of his assets, as advised in the chapter on keeping accounts, may now be seen if not before apparent. He who can not reasonably account for the losses which have caused his insolvency, can scarcely expect that his creditors will have enough confidence in his ability to allow him to settle up his own estate, but will prefer that his affairs shall go into the hands of an assignee, as likely to realize more from the estate than he would. And he can certainly have no hope that they will want him for a customer after he has compromised his debts; the desire for which is sometimes, in part, the inducement for a creditor to accept a compromise, which leaves a large surplus in the hands of the debtor.

The tenth objection is made when an insolvent endeavors to compromise his debts without giving security that the proposed amount will be paid. The creditor fears to accept and extend his claim, as he generally must do, lest at the maturity of the compromise the debtor will not only be unable to pay it, but will be in a worse position than at first.

Some insolvent debtors start out with the idea that creditors will not accept a compromise, which is not a great deal better than could be realized out of the assets by an assignment, and hence much underrate the value of their assets. While proposing to pay, say fifty per cent, they show a schedule of assets which at the valuation placed on them, will only pay twenty-five or thirty per cent. As it is not apparent where the fifty per cent is to come from, the creditor is disposed to regard the whole thing as a device by which the debtor is to continue for a few months longer in possession of his assets, so that he may manage them to suit some sinister and selfish design,

which the precipitation of his failure had left no time to provide for. A fair and candid exhibit of the insolvent's reliances is therefore less likely to elicit this objection. When the objection seems sincerely entertained, and can not be overcome by any explanations the insolvent can make, the simplest, and generally readiest way of meeting it, is by offering a reduced percentage to the objecting creditor with security, provided it can be done without injustice to the other creditors.

The eleventh objection is made when the debtor, with a desire to make his dividend look as large as possible proposes, instead of a smaller amount on short time, to pay a larger sum on long time. Ordinarily short time compromises are much more readily obtained than long time ones. When no security is given, the difference in rate between the two may fairly be estimated at two per cent a month for the difference in time. That is, practically, that an offer of fifty per cent at an average of twelve months time, could be readily commuted to forty-four per cent at six months, and the latter would generally be preferred. When security is given, the difference is much less, and depends somewhat on the completeness and availability of the security. It will always be found, in practice, greater than the current rate of interest in the business circle, of the particular locality. In 1857 a suspended house offered to their creditors the following option. They would pay in full at one, two, three and four years, or would pay seventy-five per cent in six, twelve and eighteen months, or give endorsed paper for sixty per cent at three, six, nine and twelve months, or fifty per cent cash paid down. The greater portion of their creditors preferred the fifty and sixty per cent offers.

Some length of time is necessary to enable the insolvent to dispose of his assets to the best advantage, but in

securing this, it is always necessary to consider how far a lengthened time will embarrass the chance of obtaining his creditors' consent to his offer. When he sets out with the intent to pay them some certain sum, but wants a length of time that probably many of them will not consent to give, he may find it harder afterward to convince them that if he is to pay his compromise in the shorter time, it must be reduced in amount so as to give him margin enough to make greater sacrifices than he had calculated on, than it would to induce them to accept the reduced amount at shorter time, in the first instance.

The Twelfth objection most frequently arises when the debtor having made what he deems reasonable efforts to get his creditors to accept his compromise without avail, gets discouraged by the rebuffs he meets with, and becoming soured towards some of them, talks of doing certain things "which will make it worse for them," and through which they are to get nothing if they still refuse his offers.

There are many men, who at their failure were honestly desirous of paying all that their estate would realize, for the sake of obtaining a release, but who were turned into rogues—too easily doubtless—by the refusal of a few of their creditors to accept their proposition. Having calculated very closely, they had no margin, and saw no way of making up the extra amount which the few dissatisfied ones required. Seeing, therefore, no prospect of a release, they became regardless of the interests of those even of their creditors who were willing to accept their offer, and arranged their matters so that as little went into the hands of their creditors as possible. Endeavoring to justify themselves by saying that they had offered to pay all they could, and as their creditors did

not see fit to accept it, they would give themselves no further trouble about the settlement. There is neither honesty nor good policy in this course, though many adopt it to their subsequent sorrow. If the insolvent would only reflect upon how often he has toiled and striven, and exhausted himself and the patience and forbearance of his friends and acquaintances almost, in his efforts to meet his obligations day by day before his failure, and upon how well he got over the "hard places" in his career, he would not so soon sit down in despair, or so readily turn rogue, because some of his creditors want him to pay five or ten per cent more out of his assets than he has calculated.

Courage and energy at such junctures are all-important. If the insolvent's own influence is insufficient to get the consent of his creditors, let him rally his friends to his aid. He should study the character of the creditor, and find out the influences that move him. There is always a wire which controls every man; only get hold of the end of it. Do anything rather than despair. Above all, let him avoid the idea that his creditors are unfriendly, and that he must fight them. This leads to deception, and deception to roguery, and then this objection comes with such force as to forbid all hope of a release.

When an insolvent has so fairly and honestly conducted his business, both before and after failure, that his creditors can not justly make any of the foregoing objections, he may pretty confidently rely on getting a compromise, if he fully and fairly shows his position; and offers to pay all that the creditors could themselves realize from the assets through an assignment.

If pressed by suits, which are sometimes commenced when unnecessary delay is made in coming forward with some proposition of settlement, it is essential to make

timely provision by assignment or otherwise, so that the debts sued do not become, through judgment and execution, liens on the assets, to the disadvantage of other creditors. It need not follow that because an assignment is made, and the control of the assets has passed out of the insolvent's hands, that he cease his efforts and give up all hope of a compromise settlement. Even if on account of the assignment the debtor can only offer a reduced rate from what he has before offered or spoken of, it is still worth while to persevere.

It is a very usual occurrence for an insolvent to go to his creditors and take counsel of them as to what he should do, both at the outset of his trouble, and later at any time of impending difficulty. This is very proper; indeed, after a debtor's failure he is but little more than the custodian of other men's property, and he does well to consult with them as to its disposition. But he should not forget that he must manage the estate for the good of each and all, and not only for those who have been liberal towards him, as he will be tempted to do. Particularly should this not be forgotten, when he is pressed by law suits, and his process of settlement has been lingering and protracted, until he has become discouraged in trying to effect a settlement. Those of his creditors who have been most lenient and kind to him, seeing now that he is not likely to succeed in obtaining a compromise, and that his business must be broken up, will think that they may as well have their claims secured as not. And their advice will now often be of a character that looks more to their own interest than to his. Through such advice assignments are sometimes hastily made, and the claims of the friendly creditors, with whom the debtor has specially advised, are made confidential for the full amount, though they had before agreed to accept a compromise;

leaving out at the same time many others who were willing to accept the compromise, who will under the assignment get nothing. There is generally some verbal promise made to the debtor of future assistance, the paying back of the difference when he can get a settlement, or a good situation; or the debtor may rely on the hope that when the assignment is made, the non-assenting creditors will conclude to accept his offer, in which case it is understood that the assignment is to be revoked. But all these things are apt to turn out illusive, and it is very rarely that such an assignment is found satisfactory to the assignor in the end.

While, therefore, it is right and proper for an insolvent to consult freely with his creditors, it is not wise for him to put himself too completely in the hands of any two or three of them. He should carefully consider their advice, and follow only that which his judgment tells him is fair and honest towards the other creditors.

Lawyers generally are not good advisers as to the disposition an insolvent ought to make of his assets among his creditors when he finds himself under the necessity of making an assignment. As a class they are not of a compromising character. Everything goes according to law with them. The creditor either gets all or nothing, and the debtor either pays in full with interest and costs, or remains in debt with the judgment eternally hanging over him—unless, indeed, he can plead usury, infancy, statute of limitations or other legal absolution, or obtain the benefit of some bankrupt law. Compromising debts and differences obviates the necessity for legal proceedings, hence it is not strange that those that make their living by such proceedings have no relish for amicable settlements.

The best advisers in such circumstances are fellow mer

chants of experience and uprightness, who have no pecuniary interest in the insolvent to bias their judgment. These are found in almost every village, who, if consulted on any point of doubtful policy or honesty, can readily tell how it will be regarded by those it affects.

It is well for an insolvent to be prepared for any emergency, by a due consideration of every position in which he is likely to be placed by any legal proceedings which may be taken by his creditors; so that in the excitement of the occasion he may know just what to do, and not have cause to reproach himself afterwards for any omission to do what was necessary. In these fast times when injunctions and attachments are so liberally issued, it is highly necessary for the debtor in failing circumstances to guard against the danger of having his assets suddenly taken out of his hands, or so tied up by the action of a single creditor that he cannot use them. He should take legal advice and have a well-digested plan in his mind, upon which to act, and not rely too blindly on the forbearance of his creditors.

A friend of mine had a customer doing business in New York city, and living out of the State, but going in and out daily to his business, who failed. Pending the necessary investigations, to ascertain the amount the assets would pay, my friend felt some anxiety, being himself a creditor, lest some one should attach the insolvent's property on the ground of his being a non-resident. So stepping into his lawyer's office, he stated the case to him, putting it, however, in the practical form as to whether he could not get an attachment issued. "Certainly, certainly," answered the lawyer, "I'll make out the papers in half an hour and secure your claim."

"Well, I am glad to know it; my claim is not very large, but I feel some interest in the debtor. I will go

and tell him he is liable to have his goods attached, and he must make an assignment at once, so as to protect his creditors."

"Well, on second thought," replied the lawyer, "I do not think that is necessary. If any of your friend's creditors should try it, let him come and see me; I'll guarantee that the attachment will not stand."

"But how is it that you can get an attachment for me, and secure my debt, while you can also guarantee my friend against any one else doing so?"

"Why, you see, the Supreme Court have decided on general principles, that a man's residence is where his home and family are, and if these are in Connecticut, of course he cannot be a resident of New York. While on the other side, the Superior Court have decided in a similar case to that of your friend's, that when a man has an established business place in New York city, where he is ordinarily to be found during the business hours of the day, even though he may go out of the State every night to sleep, he can not be regarded as a non-resident in the spirit of the statute authorizing attachments to issue against the property and estate of non-residents. Both decisions are good law in the respective Courts, until the Court of Appeals overrules one."

So long as lawyers can split hairs, so extremely fine, it is prudent for an insolvent to be prepared, by a previous consideration, and provision if necessary, for any legal action which it is possible to commence against him.

Finally, I would say, let the insolvent never become wearied out with his efforts, so long as his estate is undivided, even though in the hands of an assignee or receiver, there is a chance that by perseverance and energy he may secure a compromise, and thus obtain a release. He ought to be able to realize from fifteen to twenty per

cent more out of his assets than another person could, and it is to this point he must direct his energy and arguments. Never despair of a compromise settlement, should be the motto of all insolvents.

When a compromise settlement has been made, and extended paper given, as is usually the case, the wreck may be said to have been cleared off, and the solid foundation bared ready to be built on again. And now it is specially incumbent on the dealer to review his whole past history, and by the experience of that past steer clear of the errors in the future. If he has any qualification for business he ought to be able to understand the causes of his failure, and how to guard against them. Experience is about the only business capital that a released insolvent can honestly claim to have left. When he applies for credit again, he stands in this unpleasant dilemma: Does he ask credit because he is honest? "Yes, there is no doubt of that; you have given up and paid over the last cent that your assets would possibly yield, but you know mere honesty will not pay debts, and I can not trust you!" Does he seek credit because he has some means left? "Yes, then you are a rogue; you have kept back something, or misrepresented the value of your assets, and swindled your creditors by inducing them to take less than you could really have paid, and you are not to be trusted!"

The first effort, therefore, of the released dealer, should be to get additional capital in some legitimate way, and he can well afford to give a large proportion of the profits to any one who will furnish this necessity—for a year or two at least. Perhaps the best way to get this, is by finding a partner with means. Sometimes personal friends or relatives will loan the dealer limited amounts to start him again, but these loans are more a matter of favor

than of business. But whether of favor or otherwise, the dealer should be careful to so manage his business that those who are somewhat disposed to aid him may be helped on in their kind intentions, and not hindered.

A man who shows his friends that there is a good prospect of not only paying them back the money they may advance him, but also a liberal compensation for the use of it, is much more likely to get it, than one who can give no such assurances. We all like to be charitable at times, but don't want the charity to cost too much, even when bestowed on a near relative.

Men in this position are sometimes disposed to under-rate the value of capital, and are unwilling to give such a share of the profits of the business to one who possesses it, as will induce the capitalist to join in the enterprise. They seem to regard the business as so well established, that the little capital they need is a mere bagatelle, which they would be glad to have if they could get it at the ordinary rate of interest. But as for giving half their profits to some man merely for furnishing a few thousand dollars, "No, indeed, they will see him further first!—they are not going to lower their talents and business experience to a par with another man's money."

A dealer, whose business had been of such magnitude as to have required \$10,000 capital to properly carry it on, who has just made a compromise of indebtedness, at a rate so favorable as to leave him a surplus of \$5,000, reckoning his assets at cost, might with great advantage to himself give one-half of the profits to any one who would put in \$5,000 in cash at the risk of the business, even though the person should be devoid of business experience. It is not necessary that such a partnership should continue a long time. It could be made for a year, and renewed if advisable from year to year, until the ex-

perienced partner found himself able, by the increase of his means, to carry on the business alone.

When additional capital can not be obtained, the only course is for the dealer to liquidate to a certain extent, and reduce the magnitude of the business, and its expenses, (and his own expenses if necessary,) to the amount he can do on his reduced capital. As the crediting out of goods is a frequent cause of failure, this part of the business should be cut off at once, and the sales made for cash only. Very often this will be a sufficient reduction.

If the business has been a cash one, and the difficulties have come through keeping a heavy stock of goods, this must be reduced. It is sometimes very difficult to reduce a stock of goods in such way as to continue its average profitableness. The trouble is that the unsaleable goods remain on hand, and if those which are in demand are not re-purchased, sales fall off unduly. It is best generally to reduce stock on these occasions, by dispensing with classes of goods; selecting those out where the least profit is made in proportion to the capital required to keep up an assortment. Taking care, of course, that the class proposed to be sold out is not one indispensable to the sale of other goods.

This plan is especially preferable in towns where there are other stores at which customers can obtain the articles which are to be dispensed with, as the buyers are not so likely to buy from a limited assortment when they have access to a fuller one. In country places more kinds of goods may be kept, with less variety in each, as the buyers are content to put up with less variety when they are sure of finding something in the line of whatever they may need.

When the stock is to be reduced in this way, the best

plan is to select out all such goods as have not sold readily, and those which sell so rarely that it is less profitable to keep them, and place them prominently before the customers, making extra efforts, by reduction of price if necessary (which it usually is) from week to week, till they are disposed of. Sometimes they may be advantageously sent to other localities and sold.

In reducing stock by departments, it requires some discrimination, as there may be no necessity for reducing the price of some of the leading articles to any great extent. Indeed, to profitably close out by departments it may be well to purchase from time to time a small quantity of the leading articles, to keep up a sort of partial assortment to sell off to advantage the more unsaleable articles.

Some dealers are very reluctant to take a sufficiently reduced view of the value of their old stock when they are really desirous of selling it off. As they go over their stock piece by piece, one article after another which should be sold off is reserved and laid back on the shelves, because it is cheap enough already, or is intrinsically worth more than is asked for it. Or perhaps because it is not just the season for selling it. Of course there are periods of the year when certain goods sell better than at other times, and some things may be reserved for the appropriate season, but to a man who wants to reduce his stock, there is no time like the ever present *now*. It is a good method in passing judgment on the value of such old stock, for the dealer to consider what he would be willing to buy more of it at, and be governed by this view, as to its real worth.

If sufficient attention has been paid to getting rid of the least desirable stock, as suggested, whatever of surplus is left as capital to the dealer, after payment of the

compromise, will be in desirable goods, and will be active capital.

Among those who have failed and compromised their debts it is noticeable that very few succeed afterward, who do not fully realize the change that there is in their position among dealers. Those that keep straight on with the same amount of stock, and same expenses, under the seeming impression that as they have compromised their debts, and owe now perhaps not more than one half of what they did before, they will have no difficulty of succeeding in the future, are almost sure to fail again.

There are several things which more than counterbalance the nominal advantage of a reduction in the amount of indebtedness. The prestige which surrounded the dealer when he was thought a successful trader is gone; and with it in a great measure his credit. Where he before purchased on credit, and often sold the goods before he was called on to pay for them, he must now pay cash—if not down, at least in very short time. Many will even doubt his ability to pay the notes given in compromise out of his assets, and until his success is established by a year or so of new experience, but limited credit can be expected.

The extension, which is generally obtained on the compromise payments, sometimes allows the dealer a temporary use of the money which is taken in from day to day. But this must be cautiously used. For the first few months after such a settlement, until one or two of the extended payments mature, the dealer will find himself very easy in his circumstances; and in comparison with his former struggles, before failure, will feel so relieved as for the time to think that his difficulties are all ended. But this ease is deceptive, and leads him often astray, by encouraging a disposition to hold on to unsale-

able stock for a better time, or to the purchase of more goods than the diminished capital warrants. This seeming abundance of money at this period should be used judiciously in laying the foundation for a new credit, with the old creditors, by discounting the compromise paper under an arrangement that a new credit for goods can be had to the same amount. Or if it is impossible to get this, which it often is, then by using the money to purchase for cash in other houses, and by these cash purchases preparing the way for a future credit when needed. It is, with regret it must be said, as a general thing, easier to get credit in a new house than again in the old houses, and yet justice requires that an insolvent when he recommences, should give his trade to those who have suffered by his failure, if they will sell him goods as favorably as others, and when he is in doubt of the comparative favorableness, to incline rather to the side of his old creditors. Nor should he be too sensitive if they occasionally refer to the loss they have sustained by him, in such a way as to make him feel that they remember it. These references to his failure may incline him to go to other places to deal, where he will not hear of his misfortunes, but unless his old creditors show, by putting up their prices, or by other clear indications that they do not want a renewal of his trade, he will do better to submit to this humiliation, and outlive its temporary action. One of the best recommendations a dealer, who has recently compromised his debts, can have in the market where he buys goods, is to have it said that those who compromised with him are willing to sell him again on credit. Their confidence in him has double the influence that credit in entirely new houses will possess.

The business world seems to have not yet settled upon the precise scale of expenditure which a dealer who has

recently compromised his debts may adopt as the rate for his private and family expenses, without rendering himself liable to the imputation of supporting it by a dishonest settlement with his creditors, and probably it never will. Each individual case differs from others in many points, and what might seem in one case a sufficiently reduced expenditure, may in another case seem too extravagant. Especially so to the creditors who have lost money by the failure.

And yet it is desirable that this matter of the expense and style of private living should be considered, as very often much of discredit will attach to a dealer recently failed, if a too liberal style of living is continued. It will be said of him that he is living on the money he made by failing, and his reputation as an honest man will suffer, and that quickly reacts on his business credit and standing. If any general rule could govern all cases, it might be one that would reduce the yearly expenditure precisely in proportion to the rate of reduction from the full amount of the debts by the compromise. That is, if a dealer has been living at a yearly expense of \$2,000 a year, and failing, should pay fifty per cent to his creditors, he would not subsequently be liable to reproach if he limited his expenditure for private living to \$1,000 a year; provided, too, there was reasonably apparent an income from the resuscitated business to maintain the expenditure.

The question of what profit or advantage an insolvent may be allowed to make by the compromise of his debts, other than his release from liability, as a compensation to him for the time and ability given in settling up the estate, or which the leniency of his creditors should leave to him, as a sort of exempted means to keep himself and family from want, is a delicate one, and is, it must be confessed, approached with diffidence. The principles

are all unsettled. We recognize that the old rule of "paying whatever is nominated in the bond," even to "the pound of flesh," has passed away. And it is always more easy to find fault with and dispossess old established usages than it is to propose and adopt new and better ones. Such innovations often have very extensive ramifications, seriously affecting other accepted and honored laws and observances, and nothing short of a practical trial can prove either their beneficial or mischievous influences.

We will consider first, the least liberal view, as exemplified in the case of a dealer who fails and gives up everything to his creditors. In conformity with the principles of all insolvent or bankrupt laws, he should then be permitted to go clear, and turn his attention to such modes of obtaining a living for his family as he may think advisable. His creditors sold him the goods, relying on his means and his honest and faithful management of them, without any lien or mortgage on his future, if at any time he gave up all his means. These assets that he gives up may have cost him as much as he owes, but they are seldom worth that to the creditors, who to realize a dividend from them, must place them in the hands of an assignee or other receiver to make sale of them and divide the proceeds. Such sales must necessarily be forced, and out of the proceeds must be paid the expenses of the assignee and of the liquidation, resulting generally in a large reduction from the dividend which the assets would have made at their nominal value. Now, if the debtor is willing to pay this reduced amount, devoting the time he would bestow on other pursuits in settling up the estate, there would seem to be no especial favor shown in permitting him to do so. The profit he would make by it would depend very much on his energy and ability, and

whatever it might be, it would seem hardly just to say that it was made out of his failure, at least in any bad sense.

But we will take a more liberal view, and consider how much could be reserved to the insolvent, not as earned by any service to the estate, but in the spirit of property exempt from execution. As previously remarked, the homestead laws seem to recognize some such liberal exemption as beneficial, not only to the debtor, but also to the community generally.

As a creditor, the author was always willing, when satisfied of the honesty and good intent of the insolvent, and when none of the objections, heretofore named, could be justly urged, to accept such a compromise as would leave the debtor's capital to bear just such a share of loss as his creditors sustained. That is, if the dealer starting in business with \$5,000 capital should, after a year or two, become insolvent, and able to pay only fifty per cent of his debts, he might be permitted to retain fifty per cent of his capital, or \$2,500, for the future prosecution of his business. When his capital had been reduced, to his own knowledge, prior to the creation of the indebtedness which he owed when failing, then such reduced capital was to be considered the amount of which he might retain the proportion. As, for example, if the same dealer before cited should find, after one or two years business, that he had sunk a part of his capital, and was only worth \$3,000, and still continued on in business, again buying goods, he should be allowed to retain the proportion of \$3,000 only. For the knowledge that he was losing money in his business, should have put him on his guard, and if he continued on in business he could not well avoid the imputation that he had purchased goods on credit, foreseeing his insolvency. At least he could not have the justification that the losses which caused

his failure were unexpected, and therefore in a measure unpreventable.

On the other hand, no sudden, unrealized and nominal increase of capital, which a previous two or three years trade had shown by the balance sheet to have been made, was to be taken into account. The balance sheet of a year or two previous might have shown an increase of the capital from \$5,000 to \$8,000, but if the dealer became insolvent within a year or two after, this increase should be regarded as only nominal, and the original amount of capital ought to be taken as the basis.

If some corresponding principle or rule could be universally established, there would be but little inducement for the insolvent debtor to disguise the position of his affairs from his creditors. It would be his interest, as well as his duty, to stop when he knew himself to be insolvent, so that by making the largest possible dividend to his creditors, he would retain the largest possible dividend for himself.

It must be remembered, that as a general thing, the insolvency of a man in the retail business does not come upon him suddenly. There will often be season after season when, although his balance sheet shows a nominal capital left to him, it is so only by shutting his eyes to the fact, that much of his stock is not worth what it cost him, and is taken at, and many of his outstanding accounts, which go to swell up the sum total of his assets, are uncollectable and nearly worthless. And he can at best only hope that business will turn out better in the future, so that he may get through without failure. Even when his nominal surplus is so reduced by and by, that he positively knows it is insufficient to pay his liabilities, he still holds on, hoping against hope. He will retrench, he will sell off his old stock, he will make extraordinary

efforts to collect in his old accounts, he will include the sale of some other articles in his business—anything, in fact, rather than fail. That can not be thought of. With a family to support, the contemplation of it, and its probable result in thrusting him out of business, with no resource from which to get a living for them, almost unnerves his energies. To struggle on is the certainty of a living for his family, for a time at least, while to stop now and acknowledge his insolvency is poverty. Forward then he stumbles, faint and disheartened with the prospect, but trusting in the vague hope that there will be a war or some other concurrence of circumstances, which will make such a demand for goods that his old stock can be sold off profitably, or some extraordinary good fortune to his debtors, which will enable them to pay up, rather than in his personal ability to recover himself from his failing position; borrowing to-day from one friend, to-morrow from another to repay that, occasionally making some sacrifice of his assets to raise money to push through a period of heavy payments, till finally, after exhausting the patience of his friends, and the forbearance of his creditors, he comes to a stand still, with barely sufficient assets left to pay his borrowed money, leaving nothing for his general creditors, and all chance for a release from them gone, except through the kindly agency of some bankrupt law.

How much better for all concerned, creditors as well as debtors, if some provision were admitted for the insolvent, founded upon the dividend he should pay, which would induce him when insolvent, to suspend when he could still pay a considerable dividend to his creditors.

CHAPTER XXIV.

BUSINESS QUALIFICATIONS.

HAVING specially considered each important subject likely to be of use in the retail business, it will not be out of place in conclusion to say something in reference to the qualifications of the man himself.

There are certain characteristics which are required and which we expect to find in all men simply as men, whatever their pursuits in life may be, such as honesty, truthfulness, justice, civility, patriotism, philanthropy, and other moral and social virtues. Assuming that the business man has all these in common with other men, and that he has ordinary common sense, we pass on to consider a few other qualities vitally essential to his success in business. Some of these are in a measure constitutional, and cannot readily be gained when one is deficient in them; but something may be done, when a man knows his weak points, to supply the deficiency. Reflection on the subject may lead a man to see that he has not sufficient economy—is inclined to be extravagant for his means, or that he is rash in buying his goods. If such a one would put up conspicuously, where he would see them hourly, one or two of Franklin's prudential maxims for saving, and a current maxim or two in the trade, as "it is better to cry after the goods than over them," and get these ideas so instilled into his mind, that whenever he would spend or buy, the maxim would be a monitor, he might soon feel their influence in controlling his actions.

Unfortunately we are but poor judges of our qualifications in these respects. As a general thing we think the course we are pursuing about right, or we would not pursue it, and it is often only when we get an insight into ourselves, through the advice of some clear-headed friend, that we "see ourselves as others see us," and learn to know our deficiencies. The most ignorant man is sometimes the most wise in his own conceit; and the most vacillating often regards himself as firm and persistent as a rock, and possibly may be so at times when specially aroused.

The consideration of these traits of character is perhaps more important to those who are training up their sons to business pursuits, who may see in them certain tendencies which they can cultivate or repress, as may be necessary.

An effort is made to place the subjects in the order of their essentiality or indispensableness to even limited success in business. For great success they are all important, and it may be difficult to say which is the most so, yet for the reasonable prosperity which is ordinarily expected in the retail trade, the limited quantity which most men possess in those last named will suffice.

General knowledge of the goods in which the person deals, must be regarded as the primary business requisite. This was considered at such length in Chapter II, that it need not be further discussed. Its importance ought to be apparent to all.

Energy in action is the second requisite to even moderate success. This is natural to the healthy human body in most cases. But there are some who seem from childhood to be given over to indolence and sloth, and are sluggish both in mind and body. Too often, however, the cause for such enervation and apathy is to be found

in the indulgence of the use of tobacco, ardent spirits, or other stimulant, or in licentious practices, which must be abandoned before any change can be hoped for. The brain and the muscles relieved from these wasting excesses, and strengthened by fresh air and exercise may possibly so far recuperate as that action will be necessary and enjoyable simply for its own sake.

There are hundreds of once promising sons throughout our land, victims to some of these enervating indulgences, who have grown to manhood without energy enough to perfect themselves in any occupation; great in speech but weak in action. Without ability to fill subordinate parts in any undertaking, they yet aspire to think themselves capable of managing the weightier parts. Ever longing for some opening "worthy of their talents;"—"if they could only have the opportunities which a Girard, an Astor, a McDonough, a Lawrence, or a Longworth had, then, indeed, you would see something worthy of them!"

A man of energy controls many circumstances otherwise unpropitious, and opens up opportunities for himself, by which he advances to honor and wealth.

Sometimes a want of energy is shown by the sons of wealthy men, because they have no sufficient stimulus. They have other good requisites, but no special necessity for application arising from want of money. They have never known want, and think they never will. A certain degree of pride may induce them to try to succeed in what they undertake. If they are likely to inherit wealth enough, and it is thought desirable to give them a business education and experience, that they may better know how to take care of their inheritance, they should be trained to higher aspirations than merely making money. They can be educated to take an interest in the religious, moral and philanthropic enterprises of the day, any of

which they can advance by the money which they may make in business, to an extent beyond what their present or expected resources could afford to bestow. And in this way obtain the stimulus to energetic action, which the mere desire to make money for its own sake would not give.

Perseverance is necessary to success in almost any undertaking in life. A business is not built up in a year—often not in three or four years. And it is more especially required in the management of the business as a whole, than in special actions or items of it. The bad effects of a want of this trait of character are often visible in the affairs of those around us. A man starts in a business which, like a house, he has to build up anew from the foundation; or he takes one that somebody has already started, which may be compared to a house unfinished. He works at it faithfully for a year, or two, or longer, but he becomes so wearied by the slow progress he makes, that soon, shutting his eyes to all the prospects of success, he sells out his chance, when possibly he is just on the eve of a successful completion of his undertaking, and his house, which is almost ready to shelter him for life, is turned over to another; and he, allured by other schemes, starts anew at something else, which seems to give promise of speedier results.

There are different reasons for this want of perseverance. Oftenest, perhaps, it comes from levity of mind, for it is found most in children. Some grown people seem in this respect to be children all their lives. Existence is a playtime or holiday for them, and so long as they can get enough to eat, drink and wear, care for the future does not rest heavily. This want of perseverance is sometimes said to adhere very generally to the female sex, when they are employed in business pursuits. If it

does, may we not find another cause for it, not only in that sex, but in the other also, in the feeling that the business is not of essential importance in itself, and is only a make-shift or stepping-stone, as in their case it must be regarded, to the higher aims of existence.

Generally to the American man, thoroughness or the successful issue of what he undertakes, is his special pride. The majority of young men of good health and fair average ability arrive at manhood with the idea that they can do anything a little better than the most of people around them. This overweening confidence is not always supported by corresponding ability, and the consequence often is, if success does not follow their efforts so quickly as they expected, that the occupation is at fault. "It does not repay for the care and labor bestowed on it,"—and to keep up the conceit of superior abilities the occupation is changed to something more promising.

A man should take care in starting out in life, that he does not overrate himself, lest when he gets into practical business he is too easily dissatisfied, and discouraged by every postponement of success, and he, through this, become vacillating and changeable in his business aims.

If the possibility of a disastrous termination to the business be dwelt on continually or too frequently, when the danger is not really imminent, it will tend to produce irresolution and wavering.

The business man should take the negro preacher's description of perseverance in his bull-dog, as his rule: "he take fast hold—hang on, and no let go."

Conclusive decision is one of the best requisites which a business man can possess. By this is meant that capacity of mind which weighs carefully all the circumstances, or as many as may be necessary, and decides quickly and once for all time, what shall be the course.

Many men are so constituted that they never can come to a settled conclusion in any given case. They take a survey, reflect and decide; then look again, think over the matter—are not so sure that they were right—and then reach a different conclusion, which because it is different, is not a conclusion yet, but must be reviewed; and the final end is a state of uncertainty and doubt, under which it is impossible to transact business with efficiency.

It is better to cultivate a decisive habit in trade, even with the danger of forming hasty conclusions. These may occasion loss sometimes, but these losses lead to more careful investigation afterward, while if the other habit prevails, the days go by in vacillation and doubt, and nothing is undertaken. It is better to lose sometimes than never to make.

Some men seem to do business without any opinions of their own. They are the subjects of circumstances, and the prey of other and more decisive men.

They go to the market to buy goods, with an opinion that business will be dull in their region the coming season, because the wheat crop is short, and have about concluded to buy only one-half or two-thirds the ordinary quantity of goods on this account. On the cars they buy a paper to read, and looking over the market reports, notice a suggestion that wheat is likely to rise, owing to the short crop in some sections. This leads them to think that possibly their customers, on account of the higher price they will get for their wheat, will be enabled to buy as many goods as before. When they reach the market they are all unsettled in opinion, and ready to do just what they see others doing. If the wholesale dealer talks confidently of the many goods that he has sold, or will sell, or if they see others buying freely, they go in too; very often to regret it when they get back home.

The old maxim that "first thoughts are best," is true in business. The first conclusion is generally a result of the unbiassed judgment. The later ones are too often modifications of the first, influenced not by the man's own perception or judgment, but by the casual remarks or opinions of others, made or formed in ignorance of many of the facts in the case.

Reliance on one's own judgment, or self-dependence in business matters, is always a desirable part of a man's mercantile education. Wanting this, he is blown about by every breeze, can never make up his mind when or what to buy or sell, and though he may make a living, if circumstances are propitious, he can never obtain a high standing as a business man.

Promptness in action is another desirable qualification. It is the next step to decision of mind, and the two are generally found together, but not universally so, as there are some people whose minds are quickly made up, but who from constitutional indolence are slow to act. Indeed, the world is full of such men, many of them theoretically good merchants, energetic enough when once under way, but lacking the quality which makes them jump to the work.

As a man once said to the writer, when criticising such characters: "they have no *snap* in them." The sharp man of business, like a well-finished pocket knife, springs to or open with a snap. He does not need to be pushed all the way reluctantly by circumstances. He resolves to-night as he closes his store, and is off by the first train in the morning, and while others are dawdling over their coffee, he is getting the first selection of the new goods. If he hears that one of his debtors is in difficulty, and talking of leaving the neighborhood, he is on hand the same evening, and gets a horse, or cow, or wagon, to se-

cure his debt, while those who take their time, and go late next morning, find their debtor missing and nothing left for them.

Economy, or a careful avoidance of unnecessary waste both in the goods that are dealt in, and in the expenses of conducting a business, is of great value to a retailer. His profits are by the penny-worth. Little by little his accumulations must increase, and want of attention to saving these *littles* in time and labor, and in the petty details of the business, will permit the profits to slip through his fingers as fast as they are made.

The thoughtless extravagance which wastes time and money in trifling ways, is the crying vice of the young of this age. A young man on a salary of \$1,000, or often less, a year, thinks a dime nothing, and will spend that much ten or a dozen times a day, for some puerile or useless and foolish gratification, and waste in the same spirit, twice as much more for his employer. Too often this economy is regarded, especially by the young, as parsimony or stinginess—the opposite of liberality and generosity, and cried down as mean; but that which is here indicated is the opposite of prodigality and waste, and is in every way consistent with liberality and generosity.

Knowledge of human nature, or the ability to penetrate, as it were, into the recesses of others minds, and decide as to how they will act, is a valuable acquisition to any one who buys or sells goods. Some degree of skill in this art can be obtained like almost everything else, by effort. If in any action of our own we critically examine the motive which induced the action, we may soon learn what influences move us, and therefore what are likely to move others. And in this way, when we know the circumstances in which a person is placed, we know to some extent how he will probably act. Then,

too, the disposition of mind will be often felt, some time before the person acts, and will show itself in the countenance; and by observation of the face we often have an indication of what the action will be. The study, therefore, of these two things may be said to be the study of human nature. The practiced gambler tells by the exultation pictured on his adversary's countenance, and perhaps by some tremor of the voice or nerves, that he has drawn a good hand, and hence risks but little against it, and by other signs in like manner often tells when his hand is a poor one.

These are undefinable expressions; they may be seen but not told. Though we may describe the more prominent indications which such passions as anger, terror, and so forth, present in the human countenance, the more quiet expressions are beyond the power of the pen to portray. There are even no rules for their delineation on canvas, and the painter is said to *catch* the trait, whatever it may be. The word is appropriate, and expressive of the method.

Reference was occasionally made to the value of this art in buying and selling goods, and if a more practical view of the subject be desired, it may be found in Chapters IV and IX.

A good memory for the details of the business, and the faces and names of customers, is very desirable, and will add much to a retailer's success in business. The memory is a peculiar chronicler of events, and not under very good control. Some dealers can tell you from their memory the exact date of many trivial events in local history, the names of the prominent Congressmen at the last session, and the States they came from, and a thousand other such matters of little value to themselves or any body else, but they can not remember what they

were asked for pepper and candles in the different stores they were in an hour before. The writer once saw a dealer name the prices paid, and the place where bought, of a dozen different articles taken indiscriminately in a stock of goods, with which he was unacquainted, as a test of the power of his memory. The articles selected having been bought at different auction houses in New York, at various sales from one to six weeks previous, and he having no interest or acquaintance with the goods, except noticing them sold as a rival purchaser at the sales. In those sales there had been at least 5,000 lots of similar kinds of goods, of every conceivable variety of price, quality, and style disposed of. This man's memory of such things was unusual. He could almost always remember the price that any article brought which had been sold in his presence during the season, and if acquainted with the buyer, could very often retain his name also; requiring that he should retain daily at least five hundred new items in his memory. It is hardly necessary to say that he was very successful as a trader.

The prompt recognition of persons who have before traded with the dealer, and the recollection of their names is very important.

When we go into a store to buy, thinking that we are almost a stranger there, and are addressed by name, and reference made perhaps to our former visit there, or to some circumstance connected with our home or near friends, the recognition seems very affable and pleasant. We feel that we are regarded as something more than a mere chance customer, and are ready to be pleased with what is shown us. While just the reverse feeling is produced when on entering a place where we think we ought to be known, we meet only the scrutinizing gaze of the dealer, which says quite plainly, "I think I have seen you

before, but can't tell where;" or perhaps worse still, are addressed as Mr. Smith, and asked, "what is the news at Jugtown?" when our cognomen is Jones, and we come from Hardscrabble—miles away from the other place. Such blunders would less often occur if attention was paid to the cultivation of the memory on these subjects. It is related of the lamented Lincoln, that he could remember the countenance and recall the name for years, of any one to whom he had been introduced, and with whom he had exchanged a few words.

Every young person expecting in the future to do business, should endeavor to improve this faculty, by hard, continuous drilling, in trying to remember specific dates, facts and names, precisely as a schoolboy remembers his lessons. A defective memory can be much improved by such efforts. In actual business the powers of the memory should be exerted to remember the prices of the goods, the amounts of special outstanding accounts, and their maturity, and the names and faces of those who come to buy. This can not be well done if the memory is filled with other things foreign to the business.

An ability to remember everything else except matters pertaining to the business, should be regarded as a serious drawback, and worthy of more attention than a mere passing regret. It may be an indication that the business is not so agreeable as some other one would be.

Affability is of great advantage to a retailer in winning and retaining customers, and deserves to have been mentioned earlier in the list.

A grum, surly look and tone of voice, often drives away a customer, when the retailer really means nothing harsh. His feelings have been perhaps discomposed by some irritating circumstance, and having them not sufficiently under control, he continues for a time afterwards

to show the effects to others who are not connected with the original cause. Some men are so unhinged by any trifling circumstance of unpleasant character as to be moody and irritable for a day afterward. For the sake of his business, a retailer should control such manifestations.

Foresight, or the power to calculate or prognosticate from the present circumstances, what the course of trade is likely to be the coming season, or next year, is of supreme importance to the retailer. The greatest success in business is found where this qualification is greatest.

A frequent consideration of the past causes which have led to or induced such prosperity or adversity in business, as may be present, and estimating from this kind of a foundation, what influence present circumstances will have on the trade in the future, and noting down these predictions, and the reasons for them; and later comparing these with the actual results, will in time lead to some skill in the use of this power.

As a homely illustration to the youthful reader of the idea, an incident in the experience of the writer is given: Some years ago he was frequently consulted by a market gardener to whom he had leased a piece of land, as to what could be profitably planted. One year cabbages had been very high, and the gardener was making arrangements the following summer to plant a very large quantity. It was suggested to him to inquire among his fellow gardeners, whom he met in the market, and get their opinion, as on account of the high price last year they might be very low this year. He made the inquiries and came home very sanguine. "Everybody," he said "thought cabbages would be very dear," and he would plant a large lot. He could not understand the force of the reasoning that if "everybody" thought they would bring a good price then "everybody" was likely to plant a large lot too

and so they would be too plentiful. Influenced, however, rather more by the opinion than by the reasoning of the writer, he confined his planting to his ordinary quantity; fortunately for himself, as when the season came for gathering them, they were so plentiful that they did not pay for taking to the market.

Traders who have this foresight in a vivid degree, are often said to be "in luck." They seem to have just the article that is wanted when at its greatest demand, and when the demand falls off, and the price with it, they have none left to lose on. Their luck comes solely from their ability to see from some present circumstances what the future is likely to require, and directing their actions by this probability.

Enterprise, last named, but by far the most important qualification for great success in business. It is not so essential in making merely a comfortable living and a moderate accumulation, but of paramount importance to any one who starts out with a desire to count his profits by the hundreds of thousands.

It is boldness in marking out, and intrepidity in following in new paths and new measures in business. To very prudent men the course seems often rash, and always venturesome.

But true enterprise takes note of everything that endangers success, and as far as human agency can, guards against them. Having wisely and prudently (for there must be prudence in the calculations, though there may seem to be none in the actions) concluded that the chances are favorable, it pushes ahead determined to win, or—no, there is no other conclusion—it is to win! If possibility of failure were admitted, that would unnerve the hand that steers. The progress is like shooting a dangerous rapid in a boat. Certainty that with watchfulness, good

judgment and skill it can be safely accomplished, is of paramount importance. The most of us grow dizzy in such exciting and perilous undertakings, and lose our equilibrium. In our fright we give too strong a pull to the right, to clear one rock, and this brings us upon another before we are aware.

Whether a certain venture is a rash one or not, depends very much on the man who manages it. If he has carefully calculated all the risks, and guarded against them, it may be simply a bold undertaking, which in its results will do him credit. But if recklessly undertaken, without prudent safeguards against the dangers which environ it, its disastrous termination will bring shame and disgrace on its projector.

APPENDIX.

MERCANTILE PROBLEMS.

A FEW problems are inserted here on some of the ordinary business questions, not merely to be worked out by mathematical rule—no rules for their solution being given—but as a study to lead the uninitiated to more fully consider the various elements and processes necessary to obtain the answers; in other words, to make rules for themselves. In actual business hardly any two of such questions will be found alike in all the elements, a mass of facts and figures being presented from which it is necessary to select only those pertinent to the question for consideration, and this often puzzles men of considerable knowledge. They are like the school boy who had cyphered through his arithmetic, and yet, when asked “what 20 pounds of beef would come to at $8\frac{1}{2}$ cents a pound, provided the beef was one-quarter fat,” was unable to give the answer on account of “not knowing any rule for the fat.”

Problems showing the amount of capital needed to keep a certain amount of stock.

I.

In a business, when the stock to be kept is \$5,000 and the sales \$25,000, for cash, what amount of capital will be required to purchase for cash? The preliminary expenses of the business, as fitting up store, expense of purchasing the first goods, and freight on them, estimated at \$600.

Ans.—\$5,600.

II.

What amount will be required in a similar case, except that the sales are one-fourth on the average credit of three months?

Ans.—\$7,163.

III.

What amount will be required in a case similar to II., except that a satisfactory credit can be obtained at two months for an amount of goods equal to the capital invested?

Ans.—\$3,633.

IV.

What amount will be required in a case similar to III., except that the credit can be obtained at four months?

Ans.—\$3,425.

V.

What amount will be required in a case similar to IV., when the credit can be had at four months, to twice the amount of capital invested?

Ans.—\$2,284.

[NOTE.—In all calculations having reference to continuous purchases and sales it is sufficiently exact for ordinary purposes, to take the amount for a month as one item, dated at the end of the month, and to count the cost only of the goods sold, leaving the profits to run till the semi-annual or annual accounting.]

VI.

A man proposes to buy out a retiring dealer, whose stock of goods is inventoried at \$8,000, paying one-fourth cash and the balance in five equal payments every three months; the sales are for cash, and amount annually to \$30,000, at an average profit of 20 per cent on the cost; the stock of goods requires to be brought up to \$10,000, and kept there by new purchases which can be obtained on two months credit. What amount of cash capital will he require, and when will it need to be furnished,

supposing the net profits of the business to be \$2,000 a year, realized at the end of each six months?

Ans.—\$3,833. At the buying out \$2,000; at the third payment \$433; at the fourth, \$200; at the fifth, \$1,200.

VII.

In a similar case to the foregoing, when the goods for filling up and replenishing the stock can be bought on three months credit, what capital will be required, and when?

Ans.—\$2,000 only, at the first purchase.

VIII.

And what amount of capital will be required when the credit for the new goods is limited to the amount of the capital invested and profits as they accrue? All other things remaining similar to VI. and VII.

Ans.—\$5,400. At the buying out, \$2,000; at the first purchase, \$1,000; at end of the first month, \$67; at the first deferred payment, \$1,133; at the third, \$267; and at the fifth, \$933.

Problems relating to profits.

IX.

A retailer sells \$20,000 a year; his expenses for store rent, clerk hire, etc., are \$2,000; his own private expenses \$1,000; one third of his sales are of such goods that he can only make 10 per cent profit on the cost. At what advance must the balance be sold at to make a profit of \$1,000 a year clear?

Ans.—34 per cent.

X.

A dealer selling \$30,000 a year, yielding him a net profit of \$2,000 a year, over all expenses, had these expenses increased by the rise in prices fifty per cent. They had been 10 per cent of his gross sales. What increase of profit on the cost of his goods must he ask to enable him to make the same net profit afterwards, without an increase of the amount sold? *Ans.*—7.67 per cent.

XI.

A business declined in which the sales had been \$25,000 yearly, for cash, at an average gross profit of 20 per cent, and the proprietor, to keep up the amount of sales, gave credit on one-half of them for three months. Owing to this he had to hire an extra clerk at \$600 a year, to keep his accounts and make collections, and estimated that he would lose besides \$300 in his interest account, and \$400 by bad debts. What increase of profits must he make to cover these extra expenses and losses?

Ans.—13.67 per cent.

[NOTE.—It is not unusual for manufacturers of staple kinds of goods to continue a nominal standard price for many years, making the occasional fluctuations in price by deducting a percentage from the standard price, varied as occasion may require. Sometimes such discounts will be as much as 50 to 75 per cent, really reducing the price to one-half or one-fourth of the original or standard price. Miscalculations of profits often occur through this custom.]

XII.

A retailer bought a certain article at 75 cents less 50 per cent discount, selling the same at 45 cents. Owing to an increase in value, 20 per cent less discount was allowed. To meet this the retailer advanced his price 20 per cent. What profit did he make before, and what after the rise in price?

Ans.—Profit before 20 per cent; afterwards only 2.85 per cent.

XIII.

An article costing \$6 a dozen was retailed at 60 cents a piece. Owing to a decline in price, 10 per cent discount was allowed from the standard price. This being just 5 cents a piece, the retail price was reduced to 55 cents. The decline continued from time to time, each time an additional 10 per cent being discounted, and the retail price at each time lowered five cents. When the discount had thus reached 50 per cent at wholesale, what profit is made in retailing, and how does it compare with the profit at first?

Ans.—The last price gives 40 per cent profit, the first only 20 per cent profit.

XIV.

An article is offered in a house selling exclusively for cash at a certain price 50 per cent discount. Another house selling on six months credit, sells it at the same price, with only 45 per cent discount; but this house gives 6 per cent discount off from every bill bought of them if the cash is paid at once. At which house is the article the cheaper for cash, and by how much?

Ans.—Cheaper in the cash house by 3.4 per cent.

XV.

Suppose that the government tax on all products of labor, and all income or earnings from capital—whether vested or floating—is uniformly 5 per cent, and each person endeavors to cover this tax by an increase of the price of his product, and of profit on his capital, so as to throw the burden of the tax on others, how high will the

prices rise above their normal condition, to relieve the individual tax-payer? And on whom will the burden of the tax eventually fall?

Ans.———

[This problem is not inserted as a business one, but to induce a broader consideration of the subject of *ad-valorem* advances. It looks plausible that a manufacturer need only increase the price of his manufactured goods the 5 per cent which he is assessed, to throw the burden of the tax on the consumer, as the consumer really pays 5 per cent more for the article than before. But when this 5 per cent advance is made by everybody—by the producer of the raw material and by the laborer in his wages (for his cost of living will be increased 5 per cent, and his wages must advance to meet it,)—it is very plain that the manufacturer's advance of five per cent merely covers the extra cost of his goods—the advance on the raw material, wages, rents, repairs, etc., so that he must still bear the loss of the government tax himself. Supposing everybody to find this out by the end of a month, and make another rise of 5 per cent, with the intention to throw the burden of the tax on others, it is still the same. Though the price to the consumer has advanced 10 per cent, still each manufacturer, each owner of capital, has to bear the loss of the government tax himself. And this must of necessity be the final result, even though the advance should be made periodically until the prices are doubled. Like stepping on the wheel of a treadmill, the foot that halts descends just in proportion to the upward movement of the rising foot, and the man remains stationary, though seeming to himself to be moving upward. Authority was given by act of Congress to railroad companies and other corporations, whose rates were limited by charter, to add the amount of gov-

ernment tax to their rates. But this could not relieve them from the tax. It simply enabled them to keep step with others in the first advance in prices. The authorized increase was directly counterbalanced by the higher cost of everything they had to buy to operate their various enterprises.]

Problems showing the amount of merchandise or stock of goods, which may be maintained with a definite amount of cash capital and varying credit.

XVI.

A person has \$3,500 capital to commence business with. He can buy goods on three months credit, to an amount equal to his capital, which credit will be renewed from time to time as he pays off. He can rely on sales of \$2,000 a month for cash, and it will cost him \$300 to fit up his store and pay expenses before he begins to sell. What is the largest amount of goods he can keep, and always be able to meet his payments?

Ans.—\$6,400.

XVII.

What amount could be kept in a similar case, except that one half the goods are sold on sixty days credit?

Ans.—5,200.

XVIII.

What amount could be kept under the same circumstances as problem XVI, except that a month would elapse after the purchase before he could begin selling?

Ans.—Same as in problem XVI, \$6,400.

XIX.

In a case like problem XV, when the exceptions in both problems, XVI and XVII would occur, what amount could be kept?

Ans.—The business could not be conducted, as any debt incurred could not be met, nor could the stock of goods be kept up to its minimum, if even the capital was invested in it.

Problems in averaging time of payments so that they can be met by returns from the business.

XX.

A person having a capital of \$1,000 went into a business which required him to keep a stock of \$3,000. One-third of this was composed of goods which could only be bought for cash down; the other two-thirds were such as could be bought at four months credit. A month's time was lost between the time of buying the stock and commencing to sell the goods. And the sales amounted to \$1,000 a month, half of which was of cash goods, and half of those purchased on credit. How shall the purchase on credit be averaged so as to meet the payments at maturity, without prolonging the average length of credit, and the stock of goods be kept up to the full quantity in the meantime?

Ans.—By four payments of \$500 each at 2, 3, 4 and 5 months.

XXI.

A dealer with \$2,000, buying his goods at sixty days credit, whose stock at its maximum in the busy season was

\$3,000, but which was generally reduced to \$2,000 at the end of each season, which reduction enabled him always to pay off all he owed, found himself at the close of a certain year with his full stock on hand, owing \$1,000, then fully due. His sales are \$6,000 a year, divided, however, irregularly, three-fourths of them equally in the three business months in the spring, of April, May and June, and in the three fall months of September, October and November, and the other fourth equally in the other months. He is under the necessity of asking for an extension of time in which to make payment, and enable him to sell off this surplus of stock, which can only be sold in the active fall months, and desires to know what is the earliest period he can make payment of this debt in four instalments, and at the same time continue to buy goods as heretofore at 60 days, as needed to replenish his stock and pay promptly for them, and so that at the end of the year, if he reduces his stock of goods to \$2,000, he will be out of debt again.

Ans.— $\frac{1}{4}$ each in 1, 2, 4 and 9 months.

XXII.

A dealer at the end of an unfavorable year found himself unable to continue paying his indebtedness at maturity. He had a stock of goods costing him \$6,000, and outstanding accounts amounting to \$4,000, both of which he estimated worth to him, if he could continue in business 75 cents on the dollar. He owed \$8,000. His creditors upon an investigation concluded that if he made an assignment to them his assets would not, if forced to a speedy sale and collection, yield over 50 per cent of their nominal value. The debtor satisfied of his ability to get such fresh supplies of goods as he would require at 60

days credit, and that he could sell \$20,000 a year for cash at 20 per cent profit on cost, and through these profits pay his expenses while settling up the estate, proposed to pay to the creditors 10 per cent more on their claims than they would realize from the assets by the assignment, at 3, 6, 9 and 12 months, which they accepted. Supposing the old stock and debts to be worth the debtor's estimate, and to be sold off and collected in time to make the compromise payments, what will be the rate per cent of his compromise; and what amount of additional capital will he require in the business to enable him to keep a stock of \$4,500?

Ans.—He will pay $72\frac{1}{2}$ per cent, and need only the nominal addition to his capital of \$23.

[Such problems as the foregoing require the consideration of two questions, one the settlement up of the old indebtedness, as problem XIX., and the other the carrying on of the new business, as problem V. When such experiences occur in actual business, it is well to keep this two-fold character of the work to be done in view, and endeavor to make the old assets settle up the old debts, drawing the living and expenses of the business from the new business.]

XXIII.

In a case similar to the foregoing, when the dealer unconscious of the depreciated value of his assets, continues on a year longer by borrowing money from time to time to meet his payments, and then is compelled to suspend, with his assets the same in amount and value as before, but his indebtedness increased by interest, etc., to \$8,400, of which \$3,000 is for borrowed money, and must be paid in full, the other circumstances all being the same, what per cent can he pay to his general creditors, and be in the same position as before at the end of the year?

Ans.—50 per cent.

Problems relating to the withdrawal of surplus capital.

XXIV.

A retailer selling \$30,000 a year, two-thirds of which was for cash and one-third not paid till four months, at a profit of 20 per cent on the cost, whose sales were mainly in the months of April, May, June, October, November and December, when he kept a stock of \$10,000, each of the intervening month's sales being only one-half of the busier months, and the stock of goods then reduced to \$6,000, found his balance sheet to stand after the end of a very profitable year, as follows: "Mdse. \$6,000. Accounts due him, \$4,000. Cash, \$550. Indebtedness, \$1,550"—for his December purchases. During the following month of January his sales and collections sufficed to pay his December purchases, except about \$100. The same in February had fully paid January purchases, besides increasing the cash on hand to \$1,100; also by the March receipts the February purchases were paid, besides increasing the cash on hand to \$1,700 and in April the receipts paid in like manner the March purchases, the cash on hand further increasing to \$3,300. He is inclined to draw \$1,000 from his business, as surplus or unnecessary capital. Can he do so and continue to pay for his purchases at 30 days, supposing that his business does no more than just pay expenses?

Ans.—No. At the end of July he will need all his means, and yet be short \$200 of enough to pay for his June purchases.

XXV.

Suppose in the case of the preceding problem that the dealer, by more care and attention to collections, was able to collect in his credit sales in two months, what amount of capital could he then spare from the business?

Ans.—\$1,750.

INVOICE BOOK, showing memorandum of corrections on it
while the invoice is out for correction.
(Referred to on page 258.)

1866		Amount brought forward				\$417 69
April	10	James Martin, 3 mos.				
336	1	ps Cotton drilling	36	20	7 20	
	4	" $\frac{3}{4}$ b'd muslin	166	10	16 60	
					23 80	23 80
		Thomas & Johnson, 60 ds.				
4916	1	ps Black silk	60	2,00	120 00	
383	1	" Brown do.	36	1,20	43 20	
1497	2	" Marcelline 30 in.	80	40	32 00	
R 63	6	" Ribbons		3,30	19 80	
					215 00	
		383.1 yd. short R 63. 10cts a ps. overcharged				
		Williams, West & Dimon, 60ds				
14	1	ps Blk. Cassimere	24	1,50	36 00	
836	1	" Mix'd Satinet	30	1,00	30 00	
					66 00	
		14. damaged 20cts yd by stains 836 2 holes in it— $\frac{1}{4}$ yd damage				
		Amount carried forward				

The claims in *Italic* are first noted in pencil—when the invoice is received back corrected, the actual corrections are deducted in ink, and the footing carried into the outer column; showing that the entry is ready to be posted.

FORM FOR A DAILY CASH SALES BOOK.
(Referred to on page 263.)

1866	R. S. G.	T. M.	P. L.	S. T.	A. R.	
April 11	20.19	15.17	8 19	4.17	2.12	49 84
" 12	25.61	18.60	17.12	5.14	50	66 97
" 13	13.41	30.31	absent	10.11	1.79	55 62
" 14	17.60	10.19	30.12	out	2.86	60 77
" 15	sick	35.17	12.49	3.19	5.14	55 99
" 16	13.20	20.10	17.30	5.86	3.20	59 66
Total for the week						\$348.85

FORM OF A TICKET DESCRIBED PAGE 263

MRS. N. MILLER.		
rb 6 muslin	20	1.20
en 3 pap camb	25	75
ru 12 prints	15	1.80
bn 2 pr hose	60	1.20
Ap. 11 R. S. G.		\$4.95

SUMMARY OF THE BUSINESS OF A. B. & Co.
(Described on page 269.)

FOR THE YEARS	1860	1861	1862
Mdse. on hand 1st of the year	6314 79	7143 79	7462 12
Bought during the year	24699 38	26346 46	21695 76
Sold " " for cash	21314 36	18321 35	20460 43
" " " on credit	7786 43	12693 36	8973 69
Mdse. on hand at close of year	7143 79	7462 12	9215 83
Gross profits on sales	5230 41	4985 58	9492 07
Interest account, Dr.	420 79	501 36	523 46
" " Cr.	639 94	493 43	605 64
Profit and loss, Dr.	163 93	204 07	469 17
" " Cr.	13 69	15 09	23 46
Expenses, store	1917 38	2114 57	2079 16
" private	2136 49	2233 50	2117 65
Outstanding accounts	2439 94	4693 87	1836 46
Estimate of loss on same	214 00	520 03	95 00
Cash on hand at end of year	436 61	214 69	1565 59
Indebtedness	2774 89	4684 53	000
Net profits added to capital	1245 45	440 70	1931 72
Capital at end of year	7245 45	7689 15	9617 88

FORM OF A MEMORANDUM OF THE MATURITY OF ACCOUNTS, DESCRIBED PAGE 265.

1866.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Rem'ks
Belcher, Jas.	10] 70.45	13] 13.70	15] 20.00	17] 30.17	19] 16.42	21] 10.80							
Brown, Thomas	5] 6.25	11] 8.30	17] 20.46	23] 30.17	29] 16.42								
Burlingame, Leon	5] 6.25	11] 8.30	17] 20.46	23] 30.17	29] 16.42								
Burfinch, Simon	5] 6.25	11] 8.30	17] 20.46	23] 30.17	29] 16.42								
Bullett, Jonathan	5] 6.25	11] 8.30	17] 20.46	23] 30.17	29] 16.42								

ACCOUNT OF DAILY SALES FOR 1866

(Described on page 266.)

Day of month	JANUARY.		FEBRUARY.	
	Cash.	Credit.	Cash.	Credit.
1	....	....	33.36	92.12
2	....	....	42.69	3.46
3	40.90	31.33	12.17	00
4	83.41	41.77	15.36	21.82
5	33.69	50.16	....	....
6	27.56	80.43	43.21	2.36
7	101.63	17.19	17.02	12.26
8	....	....	27.82	9.13
9	94.69	36.46	36.40	10.27
10	87.60	39.23	18.76	10.93
11	78.94	12.64	89.16	15.46
12	88.68	14.16	....	....
13	59.11	10.18	47.33	18.06
14	99.04	25.50	....	....
15	....	....	....	....
16	86.74	17.51	....	....
17	88.46	12.91	....	....
18	79.23	16.45	....	....
19	40.16	33.72	....	....
20	60.72	18.56	....	....
21	104.40	10.11	....	....
22	....	....	....	....
23	108.46	5.56	....	....
24	41.49	18.93	....	....
25	38.69	12.48	....	....
26	25.49	32.40	....	....
27	33.12	7.19	....	....
28	40.06	11.49	....	....
29	....	....	....	....
30	22.41	78.15	....	....
31	29.32	23.46	....	....
	\$1603.00	\$60739		

These columns are continued for each of the twelve months. The paper ought to be eleven to twelve inches wide folded, to open twenty-two to twenty-four inches, so that the business of the whole year may be seen at a glance.

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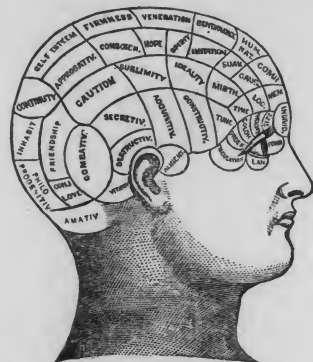
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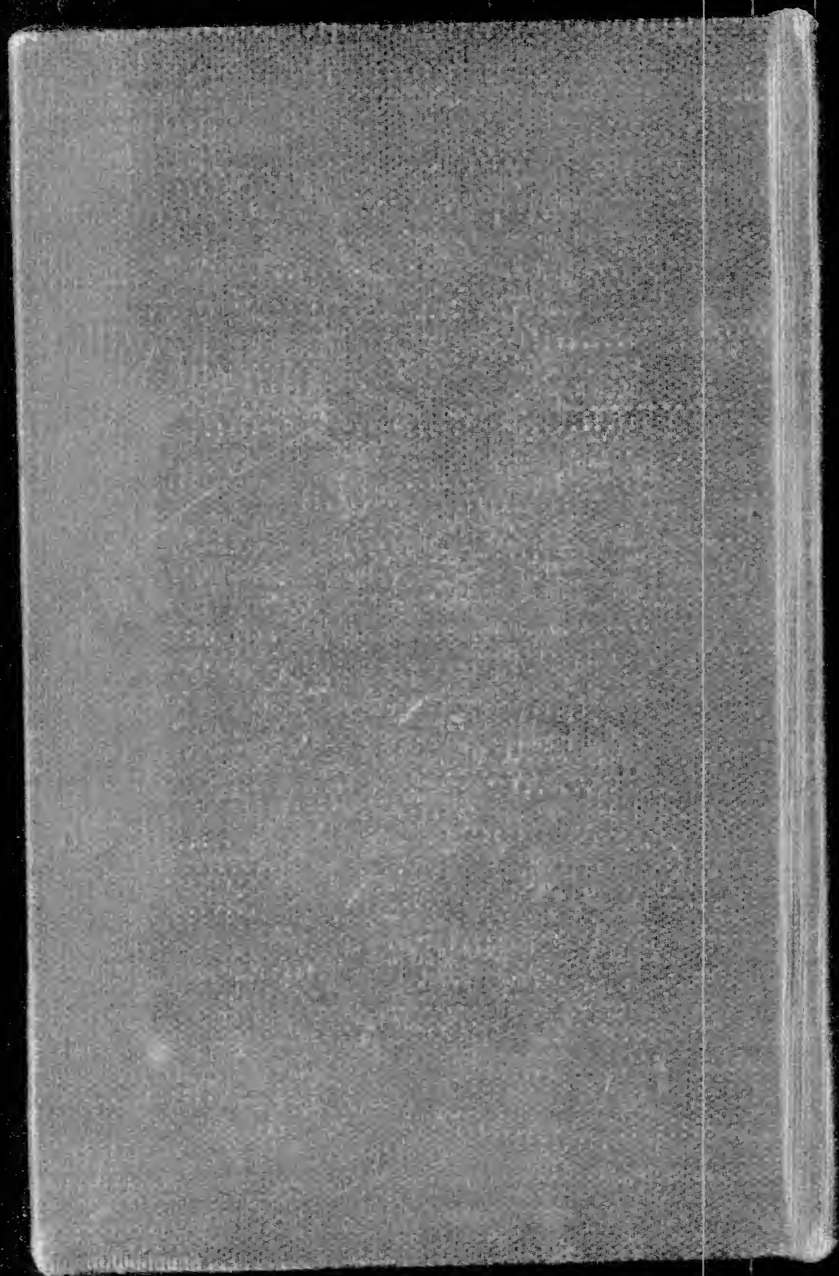
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